

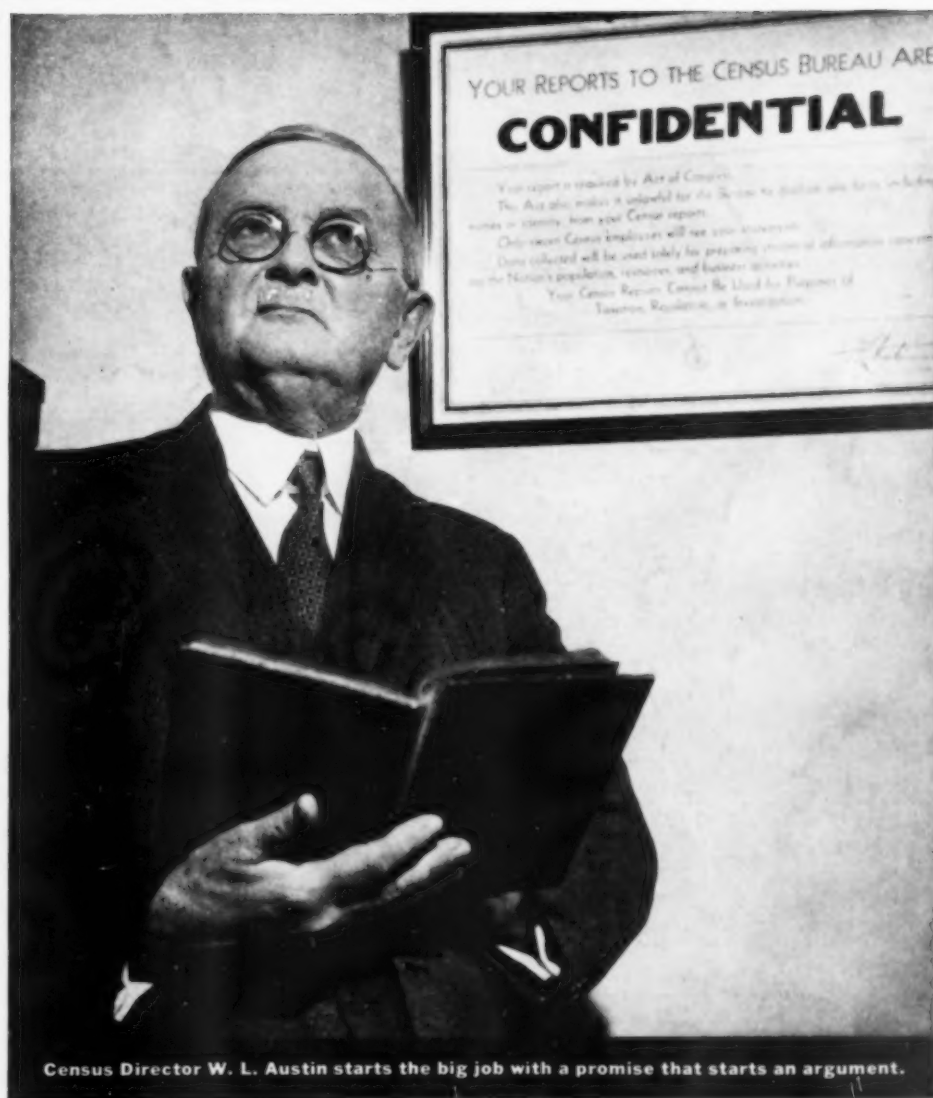
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BUSINESS WEEK

MAR 11 1940

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Census Director W. L. Austin starts the big job with a promise that starts an argument.

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In time of war prepare for peace



THE ONLY THING certain about the business index is its uncertainty. The production level won't stay at today's figure forever. When it turns down, your costs will be vital. Low costs will help you make a profit longer, help you maintain employment, help conserve your surplus . . . in times of poor business, low costs may mean the very salvation of your firm.

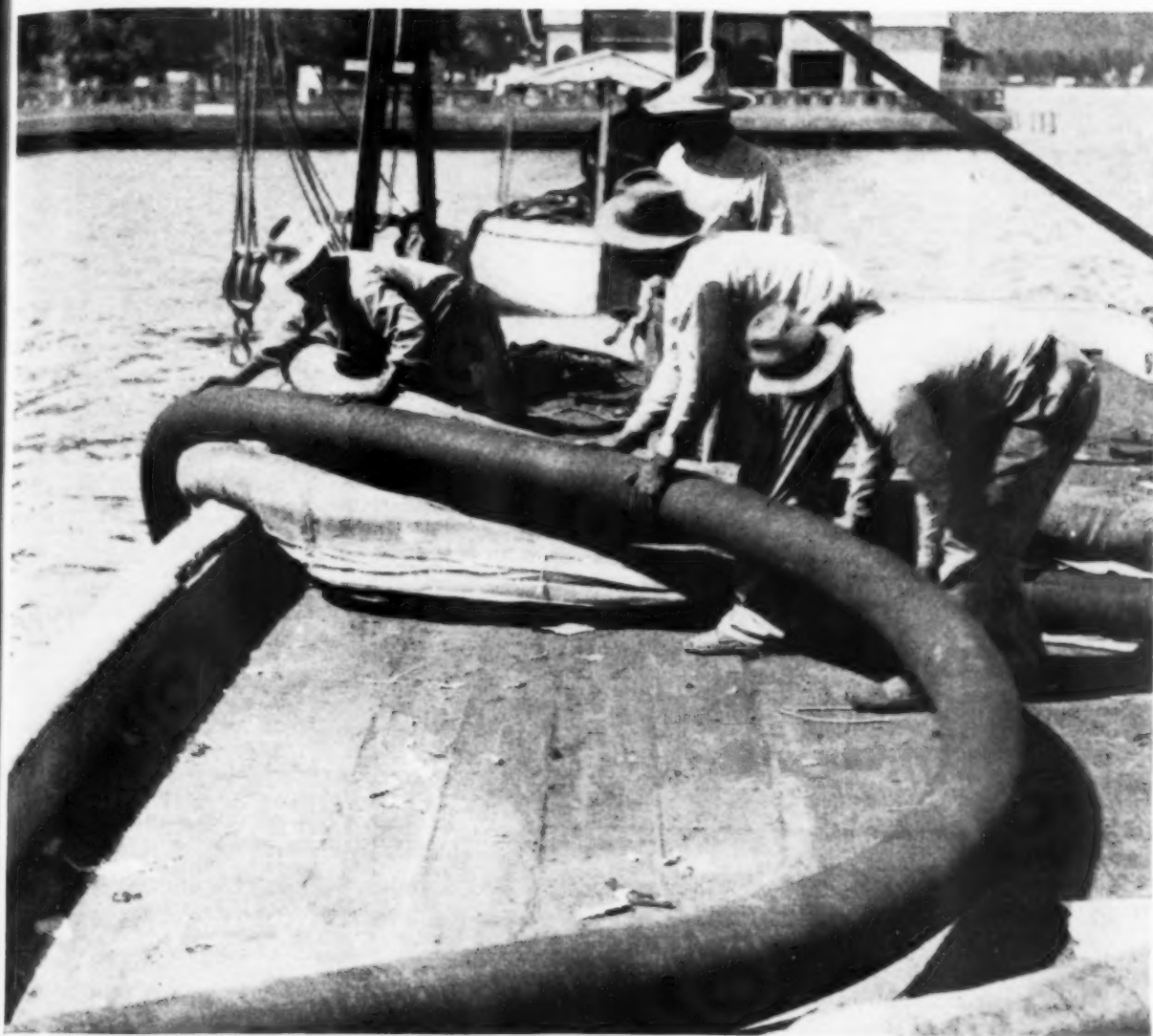
Now, in a period of prosperity, is the time to get ready for any future downturn. Then you'll be ready when the time comes—and you'll be making an extra profit in the meantime.

Today's business is not war business, and American industry is glad of it. But when the European war is over, foreign firms will again enter world markets and compete with you. The only way to prepare for that competition is to get your house in order now with low costs that will help you meet any contingency. Warner & Swasey Turret Lathes can help, by cutting costs in your turning work as much as 50%, increasing production and so reducing overhead per piece, cutting scrap loss and so reducing material charges.

Warner & Swasey field engineers can help and we believe now is the time to do it. Write

**WARNER
&
SWASEY**
Turret Lathes
Cleveland

YOU CAN TURN IT BETTER. FASTER. FOR LESS . . . WITH A WARNER & SWASEY



1300 thirsty men depend on rubber for a drink

A typical example of Goodrich improvement in rubber

DOWN in Venezuela there's a case of "water everywhere and not a drop to drink"—1300 men on an island in the salt water of a harbor. The island is only 300 feet from shore—why not slip across for a drink? Eight hundred of them can't. They're in jail.

Run a pipe across? The channel must not be blocked and the bottom is too irregular—currents would rub steel against rocks and wear it through in no time.

Officials called in the Goodrich distributor who sent his data to Goodrich engineers. Ordinary hose wouldn't

serve. It had to be strong enough to carry 100 pounds pressure inside and ocean pressure at 50-foot depth outside, yet be flexible enough to adjust itself to the irregular ocean floor, and able to stand the abrasion and pulling caused by flow of the tides. And the inner rubber had to be a compound that would not impart taste to the water.

The same Goodrich engineers went to work on this job who had perfected a hose for high-pressure steam lines, a sand blast hose that stands the abrasion of sand at high velocity, a new lighter fire hose with increased burst strength,

and many other "impossible" developments. With the experience and equipment gained in these inventions, Goodrich engineers were able to build exactly the hose needed for the Venezuelan island.

The Goodrich hose has been installed and is serving perfectly. The men on the island surrounded by salt refer to it as their "sweet water hose."

The B. F. Goodrich Company, Akron, Ohio.

Goodrich

ALL products *problems* IN RUBBER



**INVESTIGATE BUELL
AND
SAVE MONEY!**

You may already have dust collection equipment in your plant. But perhaps, without

your realizing it, its efficiency may be in the broom-and-dust-pan class compared with modern Buell Dust Collectors. Why not find out? It will cost you nothing, and modernization may save you many dollars.

Buell Dust Collectors are outstanding for *high efficiency, low first cost, negligible maintenance and long life*. Buell utilizes the patented Van Tongeren system and builds each installation specifically for the job it has to do. Efficiency can be predetermined and guaranteed in advance of installation from samples of your dust submitted to the Buell Testing Laboratory.

Without obligation, Buell engineers will be glad to make a survey of your dust collection problems, and advise you frankly as to whether your present equipment can be improved.

Only Buell Cyclones have a Dust Pocket

"DUST COLLECTION" and "FLY ASH CONTROL"
We invite you to write, without obligation,
for these two interesting and
informative booklets.

BUELL ENGINEERING COMPANY, INC.
60 WALL TOWER, NEW YORK



Wherever located, you will be quickly served through sales offices
of either BUELL ENGINEERING CO., or B. F. STURTEVANT CO.

THIS BUSINESS WEEK



Harris & Ewing

On April 2, census investigators make their first official calls on the U. S. public, and in April, the 16th U. S. census gets under way. But this week, well in advance of the scheduled starting date, the census was bubbling hot in the news. Director William L. Austin had his hands full, oiling the machinery for the start of the big project, and, at the same time, trying to quiet the storm of protest stirred up by some of the census questions—mainly those concerning wages, income, and marital status. Though the Census Bureau explained that all information would be confidential, and began to put signs up in public buildings to that effect—one of these shares this week's cover with Director Austin—the objections were still piling up—page 16.

Besides

U. S. PLANE-MAKERS consider the fabulous prospect of a billion-dollar aircraft order from the Allies—and discover it will bring headaches equally fabulous—page 15 . . . For half a dozen years, most automobiles have been rolling from plant to customer in trucks. That's why auto manufacturers are worried about the threat of state legislation outlawing the big double-deckers—page 16 . . . California business experiments with a scheme of migrant rehabilitation, rents land to migrant families—if they are not on relief—page 24.

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NET EARNINGS

\$848,432.07
- \$397,807.26
Net \$448,624.81

net--\$647,715.07

Handle with Care!

SALES volume may be high—price structures may provide a good profit margin—selling expenses apparently may be in line—yet *net earnings* still can fall below reasonable expectation. Much of the answer lies in the cost of doing business *within* an organization.

Realizing that, many of today's executives are studying the work of the various departments of their businesses—are looking for ways and means of doing the basic jobs of selling, shipping, billing, collecting and disbursing—*better and more economically.*

Because Addressograph Methods *simplify* and *co-ordinate* procedures—because they bring *speed*

and *unfailing accuracy* to important departmental work—they are being adopted by such executives, as a major move toward improving net earnings.

The Addressograph man near you will be glad to explain how easily and profitably Addressograph Methods can be adapted to your business procedures. Call ADDRESSOGRAPH SALES AGENCY (listed in principal city telephone books) or if you prefer, write

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According to a recent report by J. Edgar Hoover — there is a burglary in an American home every 3 minutes — a hold-up on an American street every 15 minutes.

Make sure that if *you're* the next victim, you don't lose. Cover your property with American Mutual insurance, which brings you the security of the oldest American liability insurance company. Then you will share in our profits—which since 1887 have saved all policyholders $\frac{1}{2}$ or more of insurance costs each year.

At the same time, get help in *preventing accidents and losses from happening*. All American Mutual policyholders receive this loss-prevention service, on nearly all lines of business or personal insurance except life.

Part of this service is a free subscription to "WATCH". Write for a free sample copy. American Mutual Liability Insurance Company, Dept. H4, 142 Berkeley Street, Boston, Mass.



American Mutual
Works to make America Safe

NEW BUSINESS

End Coal Bootlegging?

LAST WEEK, a plan was born in Shamokin, Pa., to end coal bootlegging. After conferences with officials of United Mine Workers, a committee of operators agreed to take the coal mined by the 'leggers and to pay regular rate sheet prices for it. When the holes are worked out they will be given jobs in the old line collieries.

Coal men have some misgivings about the plan; it may work, but there are at least two big questions: (1) Will payments sufficiently exceed the average \$2 price which breakers pay for the bootlegged coal to keep it out of illicit channels? (2) When the 'leggers ask for jobs in regular mines how will the U.M.W. locals feel about spreading the work?

No Static Here

FREQUENCY MODULATION, that new system of high-frequency, static-free radio broadcasting, continues to make tracks, although the fledgling industry is cautious about proceeding too fast until the Federal Communications Commission decides whether it will allow the use of one of the bands previously reserved for television. A hearing on this question was originally scheduled for Feb. 28 but has been postponed to Mar. 18. Meanwhile, Zenith Radio Corp. has been added to

the growing list of manufacturers who have announced that they will add fm receivers to their spring lines.

About a month ago, Stewart-Warner indicated it would join the caravan—not Stromberg-Carlson, as erroneously reported, which has had a line of fm receivers for six months. Also this week, one of the nation's top-notch high-power radio stations, WOR, got its permanent license to operate a 1,000-watt frequency modulation station—the third in the New York City area.

Test Planned

EXHIBIT PLANNED for the Packaging Exposition of the American Management Association will test the efficacy of a new product just developed by the Davison Chemical Corp., Baltimore. "Pro-Teck-Sorb" is a blue, crystalline compound that absorbs many times its own weight in water and is therefore useful as a deterrent to rust, according to the company. Two blocks of polished steel, one boxed with the new compound, the other unprotected, were shipped for the Exposition in New York from Baltimore via New Orleans. Moist salt air of a long sea voyage is expected to demonstrate the rust-resisting qualities of the protected steel block. Both boxes will be opened at the Exposition.

Harnessing a White Elephant



EVER since last September, when the Reconstruction Finance Corp. bought Chicago's Congress Hotel in a bankruptcy auction, the government has been having its fling in the hotel business. Not too successfully though. Last week the government had an idea how it could make the Congress a going proposition by remodeling the

371 rooms in the old section of the hotel (the building at the right, including the L connecting it with the other section) into government offices—to be occupied by the Chicago branches of the RFC, Home Owners' Loan Corp. and Federal Housing Administration. The other section will continue to operate as a hotel.

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WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Stalemate prevails on Capitol Hill—and it promises to continue. The Administration hasn't the votes in the house to put through anything new. And the opposition hasn't the votes to repeal anything—not even to amend anything—already on the books. The number of conservative Democrats who will string along with the Republicans has been big enough to block new legislation but never great enough to give Joe Martin a majority when he's made a test fight on some New Deal law.

Roosevelt Lies Low

ROOSEVELT REALIZES THIS. It is one reason why he hasn't submitted more proposals, thus disappointing the left-wingers.

Another reason is that it's a campaign year. Roosevelt may not be worried about re-electing himself, may not even be worried about naming a man to carry on his policies, but he is worried lest the next House be more anti-New Deal than the present one, whether the Republicans win an actual majority or not.

Won't Change Labor Acts

THIS STALEMATE explains why hope is dwindling for amendments to such laws as the Wagner Labor Relations Act. Possibly the House will approve amendments of the type desired by business—the Smith-Toland investigation has made much sentiment for them—but even if the House should pass them, the Senate is not likely to, and the President would veto them if it did.

For the same reason there will be no changes in the Wage-Hour Act—either changes to broaden the law to include more workers, as desired by the White House, or changes to simplify the law, wanted by business.

Trade Agreements to Stay

THE STALEMATE does not, however, apply to the reciprocal trade agreements. There is no sharp party division here. Enough Republicans favor the Hull policies to insure an Administration victory since the concessions were made on copper, linseed oil, and other products.

Pleased with Budget Cuts

WITH THE EXCEPTION of appropriations for the Army, the Navy, and a few of the President's pet projects, the Administration welcomes cuts in its own budget—enough cuts, at least, to stave off the \$460,000,000 of new taxes which F.D.R. asked for but doesn't want before election.

Congress will not pass new taxes this year, will not boost the debt limit. Roosevelt secretly approves but is pleased to

have Congress take the responsibility for cutting his estimates.

Add Third-Term Talk

VARIATIONS ON THIRD-TERM THEME: If you believe everything you hear, the convention will draft Roosevelt. He will protest, but accept on condition that he will serve if Bob Jackson is nominated as his running mate. The understanding will be that Roosevelt serves for the period of war emergency, then resigns, handing the reins of office over to Bob. Realists point out, however, that Jackson is from New York, that nominating both a Presidential and a Vice-Presidential candidate from the same state would be unheard of and would lack political rhyme or reason.

Ickes misses no third-term bets. An Indian Office release proclaims that though the Pueblo tribes have a one-term tradition they have just gone ahead and elected two governors to a second term and one to a fourth.

Stamp-Plan Limitations

REPORTS THAT THE STAMP PLAN of distributing surplus foods to relief families will be extended generally to low-income families not on relief are made out of the whole cloth. Agriculture Department officials are in no sense convinced that experience to date at Shawnee, Okla. (BW—Dec 23 '39, p. 20) warrants extension of the idea.

Practical means of establishing eligibility haven't been found. With a potential of 20,000,000 persons receiving some form of public aid, Federal Surplus Commodity Corp. officials are not thinking in terms of applying the plan to privately employed families. The problem of aiding the indigent is big enough.

In Rochester, Providence, Dayton, Seattle, Des Moines, Denver, and Salt Lake City—where local relief administrations furnish aid boosting low-income families to the minimum for relief families—FSCC is making some surplus food

The National Press Club's Round-Up



TEN DOLLARS will get you fifty if you think one of these men will be inaugurated President next January—at least that's what one well-known third-term booster is offering. The odds are not so extravagant when you notice that not only Roosevelt, but Garner, Taft, Hull, and Bricker are absent from this National Press Club "political rally"—not to mention Joe Martin, Jim Farley, Wallace, and Bridges. The gentlemen in the front

row are Handsome Paul McNutt; Sen. Vandenberg, the man the Republican leaders like best; Jesse Jones, world's greatest lender; Tom Dewey, the New York gang-buster. Standing: Bob Jackson, left-wing favorite "after Roosevelt"; Bruce ("The Man Nobody Knows") Barton; Sen. Wheeler, whose progressiveness is only surpassed by that of Norman Thomas, beside him; Bennett Clark, who inherits Presidential aspirations from his father.

Wide World

"The Skill and Cooperative Attitude of Massachusetts Workers are Outstanding Factors in the Success of Massachusetts Industry"

John F. Tinsley, President
Associated Industries of Mass.



Greatest of Massachusetts' many profit opportunities for new businesses is availability of skilled labor. Of 170,000 factory workers ready to serve you, 41% are highly skilled, another 34% semi-skilled.

BayState labor offers you more than mere numbers and skill. Massachusetts leads all other major industrial states in freedom from time lost per employee from strikes.

Any firm beginning business — looking for a better location — or considering a manufacturing branch near the mighty Northeast market... will find that Massachusetts workers are able and fair.

WITHIN 300 MILES ARE STATES WITH . . .

- 54% of U.S. industrial salaries and wages;
- 63% of U.S. income taxes;
- 70% of U.S. savings deposits.

MASSACHUSETTS TAXES (state and local) ON MANUFACTURING CORPORATIONS AVERAGE

53% below average of 8 other chief Eastern and Midwestern industrial states.

MASSACHUSETTS PER CAPITA DEBT . . .

(clue to future taxes) is 28% below the United States average.

MASSACHUSETTS HAS ATTRACTED MORE NEW FIRMS (latest census) THAN ANY OTHER STATE EAST OF THE ROCKIES!

Send for this free book on why it is profitable to locate in Massachusetts. No obligation. We preserve strict confidence.



COME WHERE BUSINESS AND LABOR UNITE FOR PROFITS

Massachusetts

Development and Industrial Commission
State House, Boston, Mass.

available, either directly or through the medium of the stamp plan.

Patman's Progress

"FARMER BOB" DOUGHTON, chairman of the House Ways and Means Committee, worked a miracle when he appointed a seven-man subcommittee to hold hearings on the Patman chain-store tax bill beginning Mar. 27. Pros and antis both claim a majority vote in the subcommittee, consisting of Democrats McCormack, Mass. (chairman); Boehne, Ind.; Duncan, Mo.; Dingell, Mich.; and Republicans Crowther, N. Y.; Knutson, Minn., and Woodruff, Mich.

The day after the committee announced hearings, Patman killed his resolution proposing to short-circuit the Ways and Means Committee by bringing the bill direct to the House floor. It's better than an even bet that the Patman bill won't come out of committee this session.

A.M.A. Case No Precedent

DON'T TAKE IT FOR GRANTED, just because the U. S. Court of Appeals here holds that the American Medical Association is subject to the anti-trust laws, that the decision, if sustained by the Supreme Court, will establish a precedent for curbing labor unions.

Victory for the government in its attack on trade restraints imposed by the unions hinges on the interpretation given to the language exempting from the anti-trust acts those labor organizations, "lawfully carrying out the legitimate objects thereof."

Painters' War Chest

EVIDENCE that at least one A.F.L. building trades union is feeling the effect of the C.I.O. organizing efforts is seen in the action of the painters' union. It has amended its constitution to impose an extra 20¢ per member per month assessment on locals for the announced purpose of fighting the C.I.O. activities and Thurman Arnold's antitrust investigations. No other internationals have yet taken similar action, but something of the sort may come out of the building trades department conference now under way in Washington.

Mechanics for M-Day

THE ARMY, looking to the mechanization of warfare, is moving for preparedness in skilled man-power. Congress has sent to the White House a bill raising from 36 to 45 years the maximum age for enlistments in the Reserve Corps of skilled mechanics. This was done for the Railroad Corps in 1926; now the extension is to be made for a long list of skilled workers whose services would be needed should M-Day arrive.

Meat's Two Masters

PRESSURE FOR ACTION from New Jersey and New York state officials points to a

showdown on the dual jurisdiction of the Food and Drug Administration and the Bureau of Animal Industry over meat products.

The new Food and Drug Law provides that the BAI shall have primary jurisdiction to the full extent of the earlier Meat Inspection Act, but the rub comes from FDA's belief that its new law goes beyond the meat act in calling for the declaration of ingredients in fabricated food, including meat products.

Hanging fire for 18 months, the issue probably will be resolved by making BAI regulations coextensive with the new food law, as FDA has no real desire to invade the meat field.

Washington Pillbox

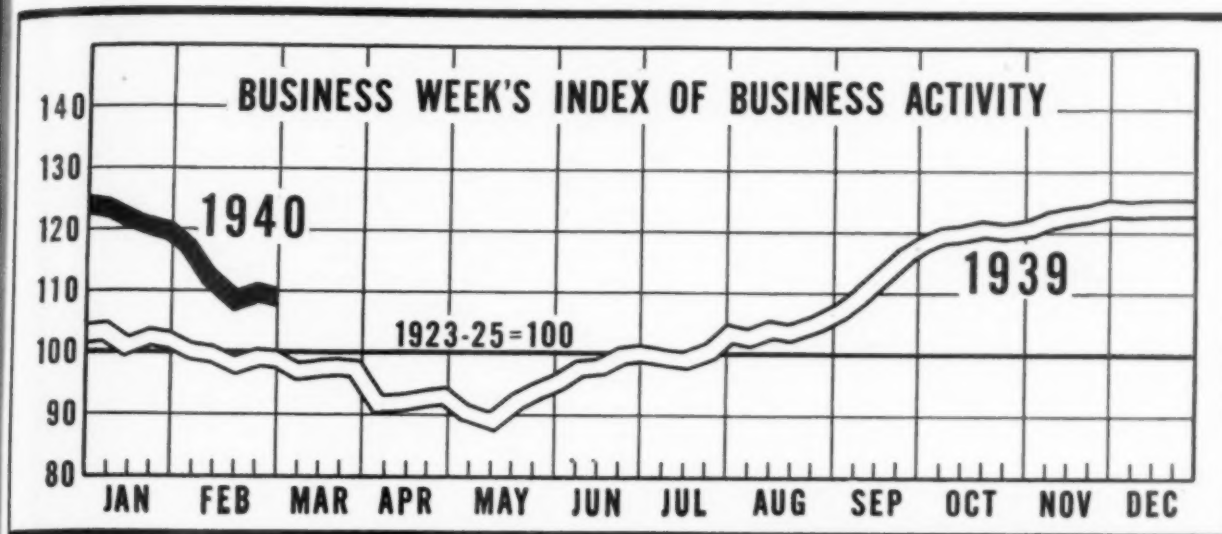
THE SUPREME COURT will hear review next month of the long-litigated New River case in which the Appalachian Power Co. has successfully contested the Federal Power Commission's assertion of authority over hydroelectric developments on tributaries of navigable streams . . . Sound asleep since it was given a hearing in January is the Boren bill to authorize the National Bureau of Standards to set up standards for consumer goods; Representative Bulwinkle says he doesn't know if or when his subcommittee will take it up . . . The Treasury has exhausted the last of its \$10,000,000 fund for war stockpile purchases of strategic materials by awarding \$1,188,768 in contracts for 41,000 tons of manganese ore—all to be imported . . . By calling a hearing for Mar. 20 on proposed trade rules for the automobile industry, the Federal Trade Commission has put a crimp in plans of the National Automobile Dealers Association to poll its members on projected legislation to give FTC control over maker-dealer relations (BW—Feb 3'40,p36).

Sitting on Dynamite

COL. PHILIP FLEMING, new Wage-Hour Administrator, is doing a good job of sitting on a keg of dynamite. His calm and somewhat conservative approach to wage-hour enforcement, including the promise to see what can be done by reexamination and revision of regulations, has temporarily appeased the Southerners on Capitol Hill.

Even Georgia's Rep. Gene Cox, fighting leader of the wage-hour revision bloc, has consented to hold his fire. Not a little of the satisfaction of the Dixie legislators is due to the failure of a grand jury in Mobile to find a true bill against the giant Southern Craft Paper Co. (BW—Feb 10'40,p42). Wage-hour administration lawyers reflect ruefully that they probably could have won in a New York court.

THE FIGURES OF THE WEEK



THE INDEX.....

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
THE INDEX.....	*110.3	†111.4	118.4	108.2	100.4

PRODUCTION.....

Steel Ingot Operations (% of capacity).....	64.6	65.9	71.7	58.6	55.1
Automobile Production.....	100,855	102,670	101,240	24,240	78,705
Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$8,626	\$9,454	\$8,109	\$10,492	\$10,248
Electric Power Output (million kilowatt-hours).....	2,479	2,455	2,541	2,357	2,244
Crude Oil (daily average, 1,000 bbls.).....	3,798	3,732	3,499	2,283	3,315
Bituminous Coal (daily average, 1,000 tons).....	1,538	1,517	1,720	1,283	1,464

TRADE.....

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	66	64	64	70	62
All Other Carloadings (daily average, 1,000 cars).....	39	37	44	45	36
Check Payments (outside N. Y. City, millions).....	\$3,983	†\$4,529	\$4,343	\$3,629	\$4,501
Money in Circulation (Wednesday series, millions).....	\$7,439	\$7,450	\$7,376	\$7,141	\$6,739
Department Store Sales (change from same week of preceding year).....	+5%	+2%	+4%	+3%	—5%

PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931 = 100).....	159.3	159.7	159.5	154.4	145.2
Iron and Steel Composite (Steel, ton).....	\$36.83	\$36.83	\$37.03	\$35.98	\$36.38
Scrap Steel Composite (Iron Age, ton).....	\$16.71	\$16.71	\$17.08	\$15.62	\$15.17
Copper (electrolytic, Connecticut Valley, lb.).....	11.500¢	11.500¢	11.425¢	11.000¢	11.250¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.00	\$1.03	\$0.95	\$0.67	\$0.69
Sugar (raw, delivered New York, lb.).....	2.85¢	2.87¢	2.80¢	3.44¢	2.79¢
Cotton (middling ½", ten designated markets, lb.).....	10.61¢	10.77¢	10.42¢	8.69¢	8.73¢
Wool Tops (New York, lb.).....	\$1.055	\$1.042	\$1.063	\$0.947	\$0.864
Rubber (ribbed smoked sheets, New York, lb.).....	18.60¢	18.32¢	18.84¢	19.90¢	16.73¢

FINANCE.....

Corporate Bond Yield (Standard Statistics, 45 issues).....	5.63%	5.59%	5.63%	5.81%	5.62%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.33%	2.32%	2.33%	2.33%	2.39%
U. S. Treasury 3-to-5 year Note Yield.....	0.43%	0.46%	0.46%	0.66%	0.56%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-¾%	½-¾%	½-¾%	½-¾%	½-¾%
Business Failures (Dun & Bradstreet, number).....	270	225	285	229	254

BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	19,414	19,256	19,199	18,096	15,965
Total Loans and Investments, reporting member banks.....	23,268	23,211	23,174	22,442	21,594
Commercial and Agricultural Loans, reporting member banks.....	4,324	4,316	4,295	3,996	3,773
Securities Loans, reporting member banks.....	1,087	1,099	1,099	1,127	1,322
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,272	11,255	11,291	10,851	10,162
Other Securities Held, reporting member banks.....	3,468	3,425	3,384	3,382	3,246
Excess Reserves, all member banks (Wednesday series).....	5,690	5,630	5,560	4,799	3,382
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,537	2,523	2,503	2,448	2,586

STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	117.6	117.6	116.9	115.8	124.9
20 Railroads, Price Index (Standard Statistics).....	30.9	30.7	30.6	27.1	33.0
20 Utilities, Price Index (Standard Statistics).....	67.5	70.0	69.7	65.6	72.1
90 Stocks, Price Index (Standard Statistics).....	96.3	96.6	96.1	94.0	102.1
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	616	567	493	3,133	847

* Preliminary, week ended March 2nd. † Revised. ‡ Date for "Latest Week" on each series on request.



Who Is This CHRIS STEENSTRUP?

IN 1901 a young Danish toolmaker began work in the General Electric shops in Schenectady. One day he hit on an idea for making a machine safer and more efficient. The boss had his doubts, but Chris Steenstrup proved his idea would work. Today, beloved by his fellow engineers, with 110 patents to his credit, Chris is still looking for ways to improve things.

Chris welcomes tough engineering assignments. For instance, he solved one of the toughest problems in the building of Dr. Alexanderson's great radio alternators which made possible radio communication with Europe during the World War. Back when there were very few domestic electric refrigerators in the country,

Chris got the job of devising a long-lived and efficient refrigerator. After months of work he designed a mechanism that ushered in a new era in American living. For from it General Electric developed the first sealed-in-steel refrigerator mechanism—the principle that has helped bring the comforts of electric refrigeration to 14 million American families.

Chris Steenstrup's contributions to more comfortable living are typical of the hundreds made by General Electric men and women. For years they have been putting electricity to work in the home and in industry, helping to make all manufactured products more plentiful and less expensive, enriching our lives—providing More Goods for More People at Less Cost.

G-E research and engineering have saved the public from ten to one hundred dollars for every dollar they have earned for General Electric

GENERAL  ELECTRIC

90-220511

March 9, 1940

THE BUSINESS OUTLOOK

Firmness in general markets, expansion in bank loans and deposits, and easy interest rates fortify view that decline is nearing end of its run. Reaffirmation of steel prices awaits test of buying by auto industry.

CARNEGIE-ILLINOIS STEEL CORP. made news this week when it reaffirmed prices for the second quarter; but this is apt to be overrated as a guide to the general commodity price trend. On the surface, it suggests that the steel industry will maintain current quotations. But, as everyone who buys steel realizes, prices will remain an unknown quantity until the automobile industry puts in its bids for 1941-model requirements—between now and May.

If the history of the past two years repeats, steel companies will "relent" for the auto people, and there will be concessions on sheets and strips. If there is no relenting, it means that auto manufacturers will have to pay a higher price for steel than they have been paying. Though the steel companies shaded prices last May, they did not change their posted quotations.

A Tough Battle

So, it is to be expected that the motor manufacturers will put up a stiff fight against prevailing prices. In the meantime, therefore, it is hardly to be expected that Carnegie-Illinois' reaffirmation will bring in new orders in quantity. It is a "show" of strength, rather than a real sign of the industry's ability to withstand auto pressure. Steel consumers will want to see what the auto makers do—and get.

With or without a guarantee of steel prices, commodities in general are doing all right. The non-ferrous metals have been buoyant, led by copper. Wheat, despite oft-repeated warnings of a huge world carryover, shows intermittent bursts of strength. And on the whole, the list of sensitive staples has been more strong than weak. Moody's Index, for instance, has just turned up again—and though it still hovers within an unusually narrow range, its stability suggests that purchasing agents are in the market whenever offerings bring quotations down a peg or two.

General Strength in Markets

Indeed, one of the remarkable features of the current decline in industrial operations is the stability in general market movements. So far, the so-called finan-

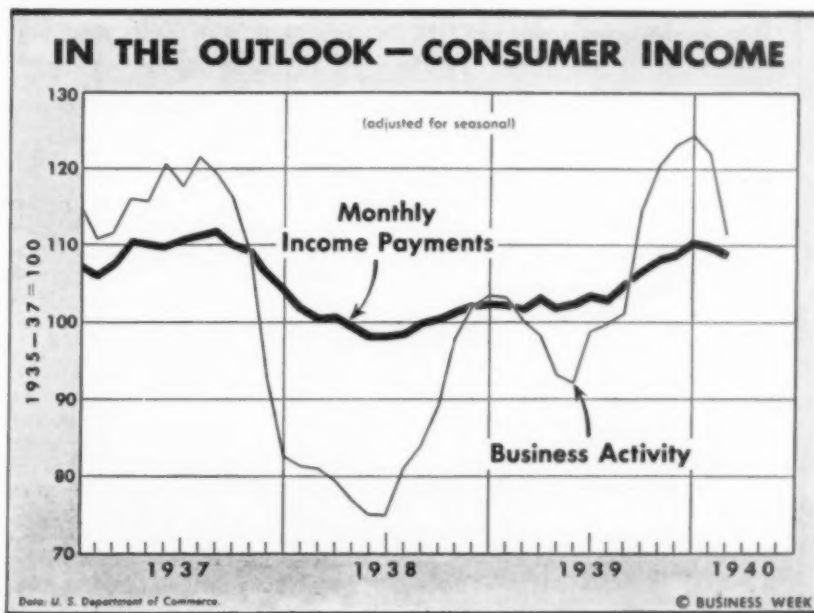
cial indicators have been "above" the deterioration that has taken place in business. Common stock prices, for instance, have held within a four-point range since Thanksgiving Day. And of late, except for the utilities, there have been signs of champing at the bit. Bond prices, too, have not given any indications of the uneasiness that usually accompanies a sharp decline in production and employment. When the war broke out, there was some speedy liquidation; but since then all types of bonds—federal, state and municipal, and corporate—recovered smartly. And lately, interest rates have got so low, that new corporate refunding has again become attractive.

Nor has there been the contraction in banking figures which—historically—

should attend a general decline in business. Demand deposits of weekly reporting member banks have just pushed to another all-time high. Excess reserves of member banks have reached a total which would have been inconceivable back in 1929—\$5,690,000,000. Moreover, commercial loans are showing a seasonal tendency to expand, and banks, unlike in the fall of 1936 and the spring of 1937, are holding on to their government bonds, instead of selling.

Good Financial Background

All of this makes for a strong financial background for general business. Interest rates are easy; banks are expanding (rather than contracting) their loans and investments; buying power, as measured by bank deposits, is at record levels, and excess reserves get bigger week by week. These are economic phenomena which customarily accompany a rise in general business—not a decline. And this performance tends to fortify the view that the decline is nearing the end of its run



"It's a stabilizing influence—and this characteristic, if the expected downturn comes over the next two months, will assume growing importance in the outlook." That was printed here just three months ago about consumer income (BW—Dec 9'39,p13), and events have brought

the statement up to date. Purchasing power, as the chart makes clear, is dropping much less rapidly than general business, and therefore acts as a cushion on the decline. Now the question is: Will the decline in business scare consumers into not using their purchasing power?

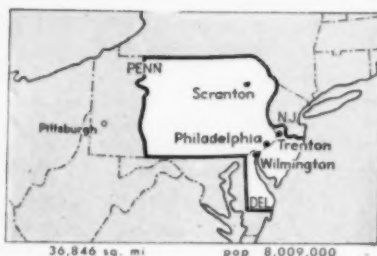
—in distance, if not in time; it will take several weeks more to reach bottom.

What happens in Europe is apt to play an important part in the ultimate timing of the upturn. Unless there is a substantial volume of buying from abroad, industrial production might well drag along around the expected low level of 105 in the BUSINESS WEEK Index for weeks be-

fore turning up. A stimulus conceivably could come from domestic orders. Consumer purchasing power is holding up fairly well (see Outlook Chart)—the dip so far is not nearly as sharp as in the first two months of 1937. Auto sales are just galloping along. But it's hard not to wonder whether the February record of car buying was too good to be true;

whether some letdown now is not a logical expectation. Meanwhile, general retail sales are somewhat mixed. Department store volume, cut down by the weather, is just running a few percent above that of a year ago. But the mail orders, after adjusting for the extra day this February, are running approximately 15% ahead of 1939.

The Regional Business Outlook



PHILADELPHIA—Business men in this Reserve district are waiting for the Ides of March. By that time—9 days before Easter—consumer goods manufacturers will know how they stand on sales of spring merchandise and will adjust schedules accordingly. In the meantime, after the sharp drop in January, production in the lighter lines has tended to stabilize some 10% below levels prevailing at the end of 1939.

Hosiery manufacturing has taken a sharp tumble below a year ago, both here and in Reading. Mill men offer two explanations: (1) consumer resistance to higher prices and (2) consumer demand for a long-wearing hose, now that nylon has been widely advertised. In other lines—carpets, shoes, woolens, and silk manufactures—production also is running below 1939.

Steel, Cement, Chemicals

Finished durable goods—railroad equipment, electrical apparatus and miscellaneous industrial machinery—are tapering off; but the primary capital goods—steel ingots, castings, cement and industrial chemicals—appear to have gone through the worst of their anticipated decline (*BW—Jan 13 '40, p14*).

Retail trade in steel towns in this district is better by comparison with a year ago than trade in steel towns generally. Here's the explanation: Last year, at this time, the nation's steel mills ran at 55% of capacity; the rate here was only 35%. But now both rates are 65%. Thus the gain in payrolls in Johnstown, Bethlehem, Allentown, etc., would naturally tend to be greater than in steel towns of other Reserve districts.



CHICAGO—The decline in industrial activity seems to have reached a temporary resting place these last few weeks. The steel rate has stopped falling at around 60% of capacity, and there are modest hints of an upturn as auto makers launch their usual spring production rise.

Indeed, automobile production is the big gun throughout this area. Schedules are running at levels 20% ahead of last year and this signifies good employment not only in Detroit, but in Flint, Mich., South Bend, Ind., and in the Milwaukee industrial area where Nash cars and A. O. Smith Co. frames and other accessories are manufactured.

Heavy Machinery

Output of heavy machinery, has begun to taper off as backlogs are slowly reduced. However, many companies producing road machinery, tanks, tractors, and truck frames have orders on their books warranting near-capacity operations for some time.

Despite a decline in volume in recent weeks, retail trade is outstanding—gains over a year ago are greater than in most other Reserve districts. People here are used to "weather" in January and February, and shopping was not badly hit by the cold snaps. Out in Iowa, however, conditions have not been good.

Hogs have been below 6¢ per lb. for more than three months. This is reflected in the retail trade figures, which show a smaller gain over 1939 than any other region in this district. Naturally, with farmers' incomes down, sales of durable consumer goods have been off—new cars, furniture, electrical appliances, jewelry, and hardware.



SAN FRANCISCO—Not only has the recession in this area been milder—milder even than the declines early in 1938 and 1939—but continued stability in industrial and farm income seems likely over the next few months.

The recent renewal of copper buying has served to firm prices and to assure current levels of mining activity in Idaho, Utah, Arizona, and Nevada for a while longer. The fall in lumber production has been checked, and now, with shipments running below new orders, backlogs are being built up. Aircraft bookings have again risen, providing further impetus for plant expansion.

Running counter to the downward national tendency, retail trade has continued at about the same level as in December, supported by the reservoir of buying power built up during 1939 (*BW—Feb 10 '40, p14*). As a consequence, payrolls in consumer goods industries, which produce primarily for buyers in this area, have held up better than in most Reserve districts.

Farm Income

Contributing to the general commercial activity of the area is the upturn in farm income during February. Market movements of fresh fruits and vegetables from California and Arizona are 15% ahead of last year; and prices are up—a direct consequence of the damage done to Florida and Texas crops by the January freeze.

The Pacific Northwest is still leading the district in retail sales gains over a year ago. But with income from citrus fruits up sharply, southern California undoubtedly will give battle for top honors in the next few months.

The Regional Outlook surveys each week three of the twelve business areas of the country.

Allies' Billion Plagues Aviation

American plane-makers are unwilling to be stampeded into expansion, and program pleasing themselves, government, and buyers is yet to be evolved.

WASHINGTON—A billion-dollar order for American aircraft. That is the prospect dangled tantalizingly before U. S. eyes by the Allies. It is one of those things that happens to an industry once in a lifetime, if then. But it has kicked up a fuss in government circles as well as among aircraft makers.

The Allies had looked over U. S. planes, picked out Douglas, Curtiss and Glenn L. Martin models as the standard types which they wished built, a billion dollars' worth in the next eighteen months. That meant mass production, which in turn meant "freezing" current designs. It meant something else, too—that the three plane companies involved would need help from other plane builders and from outside companies in filling such a huge order.

Right there the trouble began. If reliable sources are to be believed, the Army yelled and so did aircraft makers outside of the chosen three.

Army men said they didn't want to see smaller companies left out. For national defense reasons they desire a well-rounded aviation industry in this country. Moreover, freezing current designs for six months or a year doesn't appeal to them. Not while aircraft developments are changing so rapidly.

Want Allies to Pay the Bill

Besides, some Army officers aren't too pleased about selling planes of the latest design to any foreign power, even if it be a fellow democracy, until after a considerable waiting period. But since the government is insistent upon putting "our best" at the disposal of the Allies, say these officials, the least we should exact in return is that the French and British pay for expansion of our aircraft industry.

Obviously, taking on a billion-dollar order with a rigid time limit on deliveries would necessitate enormous expansion of airplane plant capacity. That couldn't be done overnight. Even if factory additions could be erected quickly, delays in securing machinery would be inevitable. Machine tool builders have already given priority to orders from aircraft engine makers to lift them out of a hole, but, after all, the machine tool industry can't turn over its entire output to the airplane people. It has orders from other sources too, including the Army and Navy.

True, the Allies would be asked to finance plant expansions. True, the U. S. Treasury Department might be lenient

in letting companies write off new equipment and factory depreciation in a hurry (presumably because of the benefits to national defense in added plane capacity). Yet even those factors wouldn't prevent the post-war headache which the industry foresees. Glenn L. Martin has publicly gone on record that there will be no great slump in aircraft production when peace comes, but many aircraft people disagree with him. They point to the fact that 85% of today's production is military planes.

Smack in the middle of Allied plane negotiations stands the tall figure of Secretary of the Treasury Henry Morgenthau. And that doesn't please the Army group, for a very good reason. After war began, a clearance committee of the Army and Navy Munitions Board was created. Its job was to coordinate Allied purchases in the United States with national defense procurement needs from industry. The British and French missions were to consult the committee

before placing any orders with U. S. manufacturers.

Without warning, so the story goes, the clearance committee was sidetracked by the White House. Primary contacts with the Allied missions were taken over by the Treasury Department's procurement division headed by Captain Collins, with Mr. Morgenthau as the "front man." The clearance committee still acts, but genuflects daily in the direction of Mr. Morgenthau.

Mr. Morgenthau's Lash

Those who don't like the sequence of events make plenty of inferences privately. The Treasury has been delegated the job by the White House, they say, because it can make U. S. industry step around faster than the Army can. No lash has a sharper sting than the one which Mr. Morgenthau carries—how much industrialists are to be taxed for plant expansions. The critics also point out that his concern over the bottleneck in aircraft engine production isn't due to serious delays in deliveries of planes to the Army and Navy. The real reason, they say, is the White House's anxiety to do everything possible to aid the Allies quickly, at the same time not to give the country the impression of being unneutral.

Regardless of political angles, the aircraft industry seeks an orderly growth. Two options on a billion dollars' worth

California Sees the Silver Lining



CALIFORNIA FARMERS worried about the lack of winter rainfall until last week, when counties in the northern part of the state got a record precipitation which put 300,000 acres of farm land under water and drove some 4,000 persons temporarily from their homes. Damage to buildings, roads,

and bridges amounted to about \$800,000. The chief crop damage was to early asparagus, spinach, and peas; but inundated orchards, like these shown here in the Sebastapol apple area, will actually benefit, because receding water leaves rich top soil washed down from the mountains.

of planes for the Allies have expired; the idea of concentrating on three types of aircraft has been junked. The Allies have stressed to the industry its golden opportunity to become a second automobile industry almost overnight. But aircraft leaders don't intend to be stampeded. They know that so long as the war lasts the Allies will take every plane they can produce, over and above requirements of the Army, Navy, and commercial aviation. They are sure they know better than their critics how far they can go in the use of mass-production technique. They are certain that if the war continues, it won't be many months until U. S. aircraft facilities will be the world's largest, outstripping even those of Nazi Germany.

Sizing Up the Census

Some business men, knowing value of data, regret that it has become a political football.

WASHINGTON (*Business Week Bureau*)—When the present squabble over the 1940 census subsides, a proposal for a constitutional amendment should find some support among business men. That amendment would provide simply that when the decennial census falls in a presidential election year, the enumeration shall take place the following year. The census has become a political football which obscures merits otherwise keenly appreciated by many business houses and advertising agencies.

Personifying both business and political interests is Bruce Barton, of Batten, Barton, Durstine and Osborn, and the representative (Republican) in Congress of the Seventeenth New York District. Rep. Barton is preserving a discreet silence in the controversy. Other legislators, not embarrassed by the fact that census data constitute the best of all information for analysis of markets, are declaiming against "violation of the sanctity of the home" by the Census Bureau's "snoopers."

Income Queries Excite Ire

The questions which have drawn most wrath from Republicans (including Senator Tobey of New Hampshire, who sponsored the resolution to strike them out) are those regarding income. They read:

"Amount of money wages or salary received (including commissions)?"

"Income of \$50 or more from sources other than money wages or salary? (Yes or No)."

Take note that there is no comma after the word money. The omission is important as part of the objection to the first question results from reading a comma into the question.

Note also that the first question does not cover income from a business or pro-

fession, rents, interest, dividends, or any money other than wages or salary. Part of the Census Bureau's trouble is that the first question does not reveal that for amounts earned above \$5,000 the person is permitted to report "over \$5,000."

The political furore raised at the Capitol boils down to resentment over giving this information to an enumerator who may be a neighbor. Mrs. Meeker on Moss Street is afraid that Mrs. Pecker on Pine Street may learn that her husband earned \$2,700 last year, even though enumerators are sworn to secrecy. Another objection, mostly from well-to-do folks, is that the information is already being given to the Bureau of Internal Revenue.

Little Objection in Indiana

This is the first time that these questions on income have been included in the census but the bureau claims that in the trial run last August in St. Joseph County (South Bend) and Marshall County, Indiana, enumerators failed to get satisfactory answers from only 2½% of the population (186,058).

The immediate issue is whether or not the Census Bureau has interpreted too broadly the 1929 law empowering it to pursue inquiries relating to population,

agriculture, irrigation, drainage, distribution, unemployment, and mines. The bureau contends that income is germane to population and employment. In a letter to Senator Hiram Johnson, Mar. 1, Census Director Austin asked:

"How can our nation know the full significance of the reduction in birth rate, aging of the population, reduction of immigration and other changes by knowing only the numerical extent? The flow of wages and salaries to 50,000,000 gainful workers is, in the final analysis, the great indicator of the effects of these changes on national welfare."

Disposed of at least temporarily is the opposition to the housing census. By a straight party vote the House defeated a bill by Rep. Reed, New York Republican, to eliminate it. The law passed by Congress last August directs the bureau to obtain information concerning the number, characteristics (including utilities and equipment), and geographical distribution of dwellings, and authorizes collection of supplementary statistics (*BW—Nov 11 '39, p24*).

Objections to the housing census center on asking the outstanding amount of the mortgage, if any, and the frequency and amount of regular payments.

Fight Curb on Auto Truckaways

With most of their cars going by highway instead of rail—and by truckaway rather than driveway—manufacturers fear state laws outlawing big transports.

AUTOMOBILE manufacturers, dealers, and truckers breathed easier last month when the Kentucky legislature defeated a bill designed to drive haulaway trucks

from its highways. Kentucky is only one of a dozen states that have repulsed the reported attempts by the railroads to influence such legislation.

But Pennsylvania and West Virginia have passed almost identical measures designed to put haulaway trucking upon an unprofitable basis. The Pennsylvania act assumes that the commonwealth still has the power to police trucks engaged in interstate commerce, although it had relinquished such power in the case of the railroads. In exercising its police power, the state took the stand that present haulaway practices are unsafe. So the law was made to read that by 1942, haulaway trucks may carry vehicles on only one level, and that a car cannot be placed over the truck cab. In effect, the trucker who now hauls four vehicles would be able to haul only two and that would not be profitable.

National trucking organizations fought enforcement of the law through the Pennsylvania courts and to the Supreme Court, where the case now rests. Meanwhile, the Interstate Commerce Commission conducted an investigation which proved that present haulaway practices are safe. Because of this, it is reported that the court did not hand down a de-



Census takers in Western Colorado find a way of getting to question inhabitants in remote sections of the state—in this snowplane; said to travel 80 miles an hour on snow, 120 on ice, climb a 45-degree slope.

"Unforeseen events . . . need not change and shape the course of man's affairs"



BAD LUCK?

To many people, breaking a mirror is a sure sign of impending calamity. Such is the power of superstition.

Better than relying on superstition . . . better than court-
ing *good* luck . . . is to make sure of a cushion against the
effects of *bad* luck.

You may suffer an injury despite every precaution . . .
and a Maryland accident policy is the best shock absorber
for this kind of bad luck. A broken leg can cost you a lot
of money . . . a hospital sojourn requires cash.

Even though you break no mirrors, the chances are about
one in thirty that you will be an accident victim this year.
Why take such a risk unprotected, when for a compara-
tively small sum you can get a policy that will provide an
income should misfortune single you out?

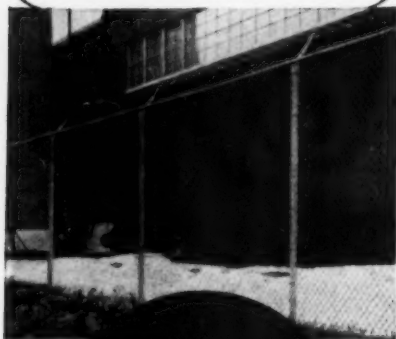
The policy that you get should also take care of your
doctor's and hospital bills. Your Maryland agent or broker
can tell you about this timely feature of our coverage . . .
Maryland Casualty Company, Baltimore.

THE MARYLAND

*The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland agents and brokers
are equipped to help you obtain protection against unforeseen events in business, industry and the home.*

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Europe's War is presenting a real problem for American Industry because of the increased dangers of sabotage, trouble-making, trespassing. Just as they did 25 years ago, business men are again turning to Anchor Fences to protect their property and prevent interruption of production, lost profits, jeopardy of human life.

Many are completely fencing their plants, others are adding sections at strategic points, still others are extending their fencing to protect plant expansions.

Anchor's Nation-Wide Erecting Service is prepared to install your Anchor Fence immediately. Send for the Anchor Fence Engineer today. He will recommend the proper Anchor Fence installation to completely protect your plant, and show you the many Anchor features which give you extra protection, longer life, lower maintenance costs. Or mail the coupon for free Industrial Fence Catalog today.

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cision, but took the unusual step of asking a reargument last month. Until an opinion is handed down in the Pennsylvania case, no action will be taken to forestall operation of the West Virginia act which takes effect in July.

The threat of restrictive legislation, like that of Pennsylvania and West Virginia, may be no bigger than a man's hand, but it worries the truckers, who blame it all on the astute state house lobbying of the railroads. And it also worries the automobile manufacturers, for in the past half dozen years they have been using the highways to get most of their cars from assembly plant to customer (see chart), and most of these, in turn, have been moved by truck.

Costs Determine Choice

Both Ford and General Motors have established policies of not permitting their cars to be driven before delivery to the dealer's place of business (excepting customer driveaways). They are served mainly by the rails and the trucks and want to remain free to decide between them wholly on the basis of comparative costs. In general practice nowadays, a distance of about 250 miles from the assembly plant is the line of demarcation between the rail and truck carriers. Up to that distance, the haulaway truck method is cheaper and has the added advantage of easy loading at the factory and of store-door delivery. Distances longer than 250 miles are commonly served by rail. There is a definite reason for this condition.

Railroads must charge 30¢ per hundred pounds for terminal expenses; truckers only 1¢ to 2¢. If an assembly plant is located 40 to 50 miles from a metropolitan area the bulk of the shipments from a branch assembly plant will go by truck. Haulaway concerns perform such

How Different Companies Ship Their Cars*

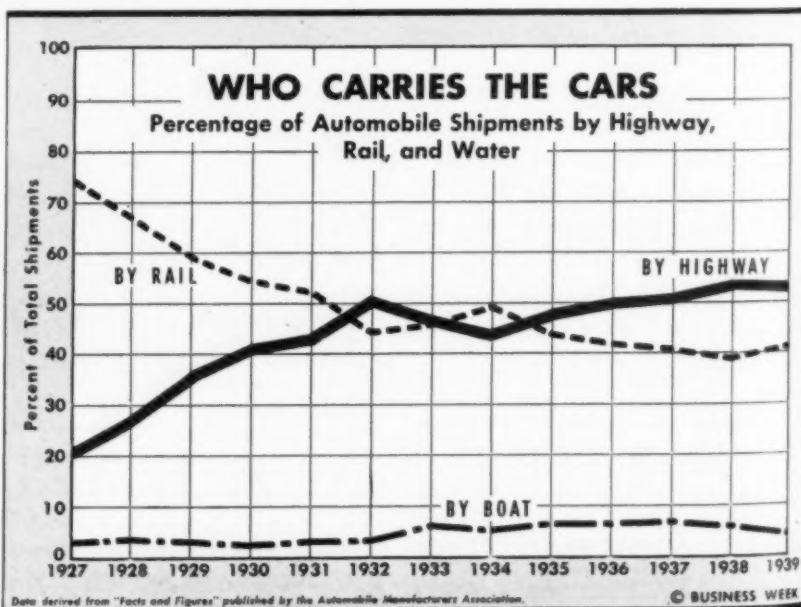
	Rail	Highway	Water
Chrysler	36.7	41.8	21.5
Ford	20.0	75.0	5.0
General Motors. 48.6	49.9	1.5	
Hudson	42.0	45.3	12.7
Nash	32.2	67.8	
Packard	36.9	38.9	24.2
Studebaker	20.0	80.0	
Willys Overland	9.7	86.1	4.2

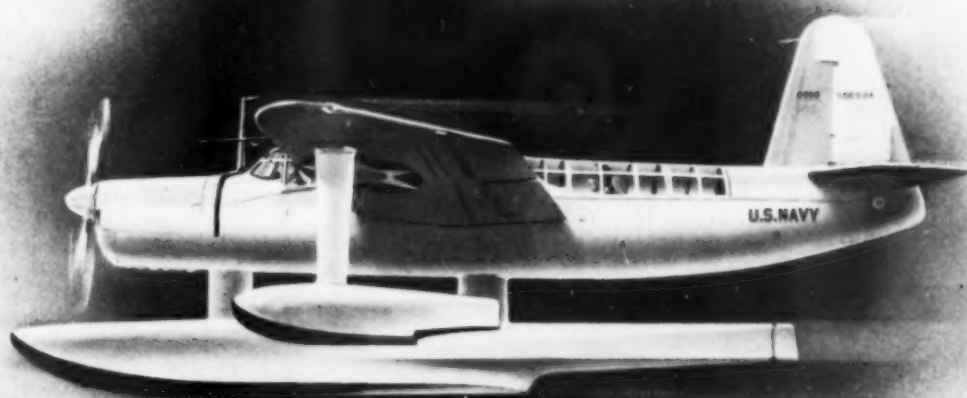
* Data for 1938 from Interstate Commerce Commission.

service for \$6 or \$7 per car, whereas the railroad must ask \$9 for terminal charges alone on a 3,000 lb. car plus transportation. Another assembly plant may serve a large rural area, in which case the rails get the greater share of the business because their mileage rates are lower than truck rates. One large corporation spends three-fourths of its transportation budget with the railroads, although shipments of its vehicles are about evenly divided between rail and truck. It is argued that the railroads could not get the remaining quarter and perform the service rendered by the truckers, unless expensive terminal facilities are dropped and trucks used to feed lines terminating outside the cities.

Some Leave It Up to Dealer

Other automobile manufacturers permit the dealer or distributor to choose the mode of transportation for the cars he buys. That is the reason why highway movement of new cars and trucks has grown so extensively in the past few years. Chrysler, for example, has such a policy, and as a result three-fourths of its cars that go over the highways (about half of the total) move in cars-





Eyes of the Fleet

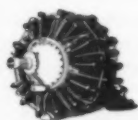
When the United States Fleet weighs anchor and steams out to sea, it knows exactly what lies ahead. For, far beyond the horizon, swift scouts are darting through the skies, observing air and water for a radius of hundreds of miles. Operating from battleship and cruiser catapults, they function literally as eyes of the Fleet. And American citizens, looking on the troubled countenance of the world, may well be proud that the United States Navy has led all others in the development of an efficient air arm.

For more than twenty years, airplanes to meet the increasingly rigid requirements

of this service have been fashioned by the personnel of Vought-Sikorsky Aircraft. Day after day, in fair weather and foul, they have performed so faithfully as to win an enviable reputation for dependable service.

Now comes this latest Vought-Sikorsky scout-observation airplane . . . trim, sleek, and sturdy . . . designed to play its part in the Navy's important program of National Defense.

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* PRATT & WHITNEY ENGINES *

* VOUGHT-SIKORSKY AIRPLANES *

* HAMILTON STANDARD PROPELLERS *

"What Bank should we use in Cleveland?"



NOTE: The usefulness of a bank is usually reflected in the extent to which it is used. People are using The National City Bank of Cleveland six times as much today as they did in 1932. Deposits have grown from 28 million to 183 million in that brief span of seven years.

	December 31, 1932	December 30, 1939
Capital Funds	\$3,303,302	\$14,158,514
Deposits	28,849,404	183,968,402
Total Assets	35,060,618	204,169,892

Three things helped contribute to this tremendous growth . . . soundness, convenient facilities, and friendly service. All three are available to out-of-town companies doing business in the great Cleveland market.

THE NATIONAL CITY BANK OF CLEVELAND



MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

vans, for dealers are prone to use the cheapest of all methods. A car can be caravanned from Detroit to Texas by an ICC-licensed driveaway company for \$48, while haulaway truck costs \$58 and rail \$86.

Abuses of Practice Cut Down

Caravanning of cars by companies engaged in this business is regulated by the ICC, and many states now require either one-time permit fees or special license plates. Thousands of other cars are driven away by employees of dealers, and this practice is ordinarily regarded as the transportation of private property. The vicious type of unregulated driveaway in which young boys drive the cars through several states, and thugs then kick them out without pay has been discouraged to a large extent by activity of the Detroit police and refusal of local newspapers to carry advertisements for such work. Evils probably still exist, but the ICC has regulated highway trucking only since 1935.

Elimination of haulaway operations would be expected to have two effects at least: (1) It would raise the cost of the delivered car, where the manufacturer prepays the rail or trucking cost. (Obviously if the manufacturer's costs are raised, the temptation will be strong to recover the outlay.) (2) Where dealers specify the transportation, a further swing to caravanning would be spurred because of the wide spread in cost between this method and rail rates.

Cutting L.C.L. Costs

Illinois Central announces new freight-handling plan to woo shippers away from the trucks.

BENT ON RECAPTURING traffic lost to highway haulers, the Illinois Central System last week announced an experiment designed to reduce less-than-carload rates. The Illinois Central is aiming, of course, at the big shippers in that classification.

Much package freight now moves in railroad "pool cars" to break-bulk points, thence to the ultimate destinations by trucks. The shipper (whether a forwarding company or a house like Sears or Montgomery Ward, or a big wholesale grocer) collects enough l.c.l. packages for one area to make a 40,000-lb. carload at a mixed merchandise rate. Or perhaps the shipment consists only of shampoo or garden seed at straight carload commodity rates. Whatever the lading, the pool car goes to a central point where the shipper's representative (or the railroad, if paid for the service) unloads, starts individual shipments to the various destinations.

From the break-bulk point, each lot that continues by rail goes as first, second, third, or fourth class l.c.l., accord-

ing to its contents. Actually, most such shipments are turned over to motor haulers at the break-bulk point. The trucks have had a rate advantage because they make a flat charge by weight and destination, as a rule, regardless of contents. Also, this saves the shipper a lot of classification work in preparing his bills of lading.

Saving Money for the Shipper

With all this in view, the Illinois Central has announced its intention, effective Mar. 19, of trying a different method, confined at first to the trade areas served by Memphis, Tenn., Jackson, Miss., and Meridian, Miss. The shipper will send his mixed carload exactly as before to the break-bulk point. There, however, the railroad's freight-house handlers will unload it for him at no extra cost, and then forward at the fourth-class L.C.L. rate any of the car's contents which move by rail within 48 hours. The railroad's store-door delivery makes the service equivalent to motor truckers', and the fourth class rate is just about on the level of motor truck rates. Continuous movement within 48 hours is required to make the rate easier to police. The shipper will have to indorse on his L.C.L. bills of lading the number of the car in which it reached the break-bulk point. If he prefers, he can prepare the L.C.L. bills of lading when he ships the carload, turn these over to the railroad, and let nature take its course.

An idea of the saving to the shipper over previous L.C.L. rates is the hypothetical case of a 40,000-lb. shipment by mixed merchandise carload to Memphis, then broken and moved L.C.L. to destinations carrying the same rates as Clarksdale, Miss., 75 miles distant. Typical content of a mixed car is: Class 1, 25%; Class 2, 35%; Class 3, 25%; Class 4, 15%. These L.C.L. rates are 77¢, 65¢, 54¢, and 42¢ respectively. Under the new rate, at the flat 42¢, the bill is \$168. The shipper saves 31%. And whether he has been sending his packages by rail or by highway, he can now—by using railroad L.C.L.—save himself the cost of unloading his pool car.

If Only They Can Get 10,000 Lb.

In actual practice, perhaps half of such a carload would be delivered to Memphis customers and half of the remainder might go to other railroads for towns not on the Illinois Central. But the Illinois Central's managers will be happy if they can reclaim 10,000 lb. of L.C.L. freight out of each pool car now moving over their lines.

Of course, objection to the Interstate Commerce Commission before Mar. 10 would probably suspend the new rate temporarily. But grandstand observers are betting that this is one railroad reduction the truckers will not oppose. Reason: A year ago the truckers fought for the same rate-making principle, won over railroad objections.

**"Beauty is
as beauty does"**



This is the new Ediphone for your desk. It's beautiful. And it does a beautiful job in bringing greater achievement to your business day.

It's wonderful to *talk* your work away... to pour into this 8½"x11" miracle your notes, letters, instructions. Your desk's cleared of papers—your mind of details—you work in peace and so does your secretary. That's Edison Voice Writing—it's beautiful!

Two new streamlined beauties to try—the letterhead-size Ediphone on your desk, the cabinet Ediphone (see below) at your desk—without obligation. Write Dept. B3, Thomas A. Edison, Inc., West Orange, N. J.—or—Thomas A. Edison of Canada, Ltd., 610 Bay Street, Toronto.

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The Cabinet Ediphone

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Managerial Merger

Two bankrupt railroads retain their identity, but have same set of general officers.

LAST WEEK, the trustees of two bankrupt eastern carriers injected a new wrinkle into rail reorganization technique. They merged the management of their respec-

tive lines under the same executive staff.

The New York, Susquehanna & Western and the New York, Ontario & Western are the roads involved. From now on, these roads will operate joint general offices in New York (in place of their former separate New York headquarters), and the same general passenger agent, general freight agent, purchasing agent, general auditor, freight traffic manager, coal traffic manager, industrial

agent and superintendent of motive power will serve for both.

While instances of executives serving more than one carrier are not new to the railroads (when intercorporate capital relationships are involved), this is probably the first instance wherein two entirely unrelated and bankrupt roads joined forces in a common effort toward seeking their own salvation. (The Susquehanna is an Erie road, the Ontario a



The Illinois Central Takes a Farm on the Road

THIS WEEK a special six-car train, publicized as "The Farm on Wheels," completed a fortnight's trip through Louisiana, Mississippi, and Tennessee on the Illinois Central System—and marked the revival of the traveling agricultural demonstration after an almost complete coma during the depression.

The Illinois Central has long specialized in agricultural extension work, introducing crops and methods that made money for on-line farmers, and creating traffic for it to haul; fostering such profitable cash crops as Illinois soy beans, Louisiana strawberries and fresh vegetables, and Mississippi watermelons, vegetables, dairy cattle, and grade hogs.

"The Farm on Wheels," making half a dozen daily stops, brought out more than 3,000 daily visitors on this trip (above, left). In one car (below, left), they saw pure-bred hogs, a Jersey bull, a Guernsey cow, and grade heifers. In the next there were beef bulls of purebred royalty, common-

type cows, and their chunky offspring—to teach the lesson of good breeding. A third car (below, right) carried pasture and forage crops actually growing in boxes, exhibits of seeds and fertilizers, and methods of cotton use. A fourth car (above, right) was rigged up for movie-illustrated lectures. A baggage car carried stock feed, bedding, and a generator; and an office car housed the crew of railroad agricultural agents and of state college teachers who tended the exhibits and lectured to attentive visitors.

This weekend the train will receive a new set of exhibits from Iowa State College—soy beans and plastics, seeds, and cultural methods, a miscellany of soil improvement, pasture culture, and stock feeding—and a crew of Iowa farm experts will come aboard for a week's tour of their state, 20 miles at a move. The following weekend will see the train at Champaign, to be similarly re-equipped for a two-week expedition up, down and across Illinois.



New Haven subsidiary; both of the parent companies are similarly in bankruptcy.

The management merger was suggested by the Susquehanna's trustee, Walter Kidde, construction engineer and president of Walter Kidde & Co., manufacturers of carbon-dioxide fire-fighting equipment. The Susquehanna has been involved in litigation with the Erie over some financial charges that accrued during the last 15 years. The Erie contends that the Susquehanna owes it almost \$7,000,000 and the Susquehanna retorts that the Erie owes it \$9,000,000. Pending termination of the case (and the eventual reorganization of the Susquehanna), Mr. Kidde felt that Susquehanna should be free of Erie influence, and got court permission to change its personnel.

It's No Panacea

A tie-up with the Ontario—and its personnel—looked like a natural, for Susquehanna had been working out a deal with the Ontario to make possible through shipments of coal between the two roads by way of the Middletown & Unionville Railroad. The Ontario runs from Oswego, N. Y. to Weehawken, N. J., while the Susquehanna runs from Stroudsburg, Pa. to Jersey City, N. J., with a branch to Hanford, N. Y., that connects with the Ontario through the Middletown & Unionville. Accordingly, Mr. Kidde went to see Frederic Lyford, trustee of the Ontario. Result: A novel merger.

Trustees of both roads are not kidding themselves that the merger is any reorganization panacea; instead, it is simply an economy measure. At present, both roads are predominantly anthracite carriers, and are depressed along with the industry they serve. At the same time, however, the Susquehanna under trusteeship is earning its operating expenses, while the Ontario is coming close to doing so.

Boosts Passenger Revenues

When Mr. Kidde took over the Susquehanna, he found that the road was losing \$500,000 a year in passenger services. Promptly he cut passenger schedules from 37 to 20 trains a day. That proved unpopular with commuters. Then he won permission from the Interstate Commerce Commission to have its passenger trains stop under the New Jersey approach to the Lincoln Tunnel, where passengers could transfer to buses going to New York. New Jersey commuters thus saved a full hour a day in travelling to and from New York, and passenger revenues have accordingly improved.

Susquehanna's equipment was in bad shape. It has ordered two new semi-diesel rail-motor cars for its passenger service, at a cost of \$50,000 each, and is constructing a new passenger station. As for the freight service, 150 hoppers



One of several concrete buildings comprising Lone-Wells Company's new industrial plant, Huntington Park, California. William S. Mayers, architect; S. B. Baratta, structural engineer; C. W. Driver, contractor.

Plants "look like a million," yet the cost is low when you build with **CONCRETE**

The owners of this industrial plant wanted a structure of outstanding architectural design built with an economical, firesafe material. They got what they wanted (and you can, too) by building with Architectural Concrete.

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and 50 box cars have been rehabilitated and a new freight station is being built to replace the dismantled freight car that served as the general freight agent's headquarters.

Santa Fe Stage Line

ICC approves rail-highway service to coast in move to break Greyhound-Interstate monopoly.

WASHINGTON (*Business Week Bureau*)—Stages roll over the Santa Fe trail again—the motorized kind this time, with the Interstate Commerce Commission's approval. Santa Fe Trail Stages, in conjunction with the parent road, has been granted operating rights between Denver and Los Angeles, the latest example of coordinated rail-highway service.

The ICC's action in confirming the Santa Fe's bus operations under the Motor Carrier Act of 1935 was prompted, according to the commission, by a clear effort on the part of the Pacific Greyhound Lines and the Interstate Transit Lines, supported by the Southern Pacific and Union Pacific railroads, to gain complete control of transcontinental bus traffic to and from a wide Pacific coast territory (*BW—Jul 23 '38, p. 27*). The extent to which this monopoly plan has succeeded, the ICC observes, is indicated by the fact that from San Francisco east over the short line transcontinental route, via Salt Lake City, an interim operation by the Burlington affords the only actual competition to the Greyhound-Interstate combination. Declaring this situation is not in the public interest, the commission said rail, air service, and the private auto couldn't be relied on to provide sufficient competition with the bus service.

The ICC rejected, as wholly unsupported by evidence, the claim of protesting carriers that the Santa Fe Trail Stages are incurring operating losses which are being absorbed by the Santa Fe Railway. The commission also rejected the contention that permission given to the bus subsidiary to extend its operations would establish a precedent under which the railroads need not endeavor to effect coordination with the service of a motor carrier competitor.

Exhibitors' Costs

MISPLACED DECIMAL POINTS misrepresented cost comparisons appearing in a recent *BUSINESS WEEK* report on the series of educational clinics now being staged by the Laundry and Cleaners Allied Trades Association (*BW—Feb 24 '40, p. 51*). This report cited pro-rata costs of exhibitors at the American Institute of Laundry convention in Atlantic City last fall but the figures given in thousands should have been in hundreds—\$439 per registered laundry-owner, \$227 per capita of estimated total attendance.

Private Homesteads for the Okies

Only non-relief families are affected by plan for gradual acquisition of idle, repossessed California land by migrant families. Banks reported to be cooperating.

THIS WEEK grim-faced, hostile audiences in Fresno, Bakersfield, and other communities of California's fruitful San Joaquin Valley were watching the screen version of "Grapes of Wrath", John Steinbeck's novel of the dustbowl migration to the Golden State.

Seated side-by-side, farmers and Okies (villians and heroes of the piece) followed the dramatization of conditions which have become distressingly familiar to San Joaquin Valley residents during the last few years. Red-faced farmers, indignant at being depicted as exploiters, controlled their feelings lest any outbreak upset California's case in Congress where the state is pressing the claim that the migrant situation is a

federal as well as a state problem (*BW—Feb 10 '40, p. 16*). For the most part, the migrants themselves stolidly followed the screen trek of the lusty Joad family without much emotion, as though "Grapes of Wrath" were "just another picture."

Meanwhile, the feeling grew among California business men that the migrant problem has been completely and effectively stated, that the next step is to find and apply solutions.

While the Committee on Migrants of the California State Chamber of Commerce buckled down to its long-range study and California's representatives in Congress were urging federal aid, a group of business men in Los Angeles



Shore Acres, near Los Angeles, has been renting land to selected migrants since 1933. These pictures show how one family lived there, at \$2.50 a month for five years, and (below) six years later. The adobe structure now used as

a garage was built first, and the house was added gradually. Part-time work on farms and in factories supplies cash. A garden furnishes most of the food. Social Adjustments, Inc. will use the same system as Shore Acres in its statewide rehabilitation plan.



and San Francisco, encouraged by leaders of social agencies and churches, were preparing to try out a scheme of migrant rehabilitation on a statewide scale.

This week, incorporation papers were filed in Sacramento for Social Adjustments, Inc., which will make available to selected migrant families (some 25,000 ultimately) fertile land which they can "rent" and finally own. On the "borrowed" land, families will grow their own food, having use of the ground for five years by paying 6% interest on a bankers' appraisal of repossessed property value. After five years they may buy their land outright on easy installments extended over five to 10 years. Only non-relief families may participate.

The Road to Rehabilitation

Here's how the plan will work: An acre of repossessed land is loaned to the migrant family for five years. Cost to renters is about \$2.50 a month or 60¢ a week to cover interest and taxes. As substitute for first payment, the renter digs a cesspool within the first two weeks. He starts a vegetable garden with seeds and a hoe supplied by Social Adjustments, Inc. A temporary shelter in a trailer or tent can be located toward the rear of the lot.

Within the first year, the renter must have completed a hand-made shelter, either of adobe (which is plentiful in many sections of California and can be had free for the hauling) or lumber. Later, when a cabin is built, the original structure can serve as a garage, chicken house, or shed. At the end of five years, renters will begin making payments on purchase of the ground at the original raw land mortgage foreclosure price extended over a long term.

Churches and Banks Help Out

Business, social agencies, and the church are represented on the list of incorporators, which includes M. V. Hartman, publisher of the Los Angeles *Daily Fruit World* and former farm editor of the Los Angeles *Times*, Col. Vernon Post, chief secretary of the Salvation Army (western division), and Dr. Julian C. McPheeters, prominent San Francisco minister.

Banks in Los Angeles and Sacramento are said to have agreed to co-operate in "renting" repossessed, idle land to migrant families in those sections. The powerful California Lands, Inc., land-owning affiliate of Bank of America, was considering participation this week.

Selection of land and families, and all details of financing and operation, will be handled by a statewide committee. Incidentally, sponsors hope the plan will end exploitation of land-hungry migrants, many of whom have been sold worthless, waterless, land by shyster "realtors." Only land in areas offering part-time employment will be selected.

The initial program calls for immedi-

"En Garde!"



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HARTER

ate establishment of two homestead communities in suburban Los Angeles, two near Sacramento, one near Santa Rosa (home of the late Luther Burbank, a few miles north of San Francisco), and a sixth near Redding, northwest of Sacramento. Later, if all goes well, units will be established near Fresno and Bakersfield in the San Joaquin Valley.

The private homesteading idea isn't new to California. Social Adjustments, Inc., is a statewide extension of several similar projects in southern California which have been operating quietly and on a modest scale for several years with apparent success.

Best-known of these, Shore Acres, near Los Angeles, was started in 1933 by Mr. Hartranft, and now accommodates 600 families. Many of the families starting from scratch, now own their land, have built homes, acquired additional acreage, planted gardens and fruit trees, and generally rehabilitated themselves.

Local land companies and banks participating in Shore Acres have expressed themselves satisfied with the project as an investment. Social Adjustments, Inc., will follow the same methods used in building Shore Acres, according to sponsors of the plan.

Business men generally have applauded it. While recognizing many hazards (as do the sponsors), most observers felt the plan worth trying as a possible solution for one phase of a many-sided problem.

Iron Rule for Relief

**New Jersey report proposes
to pay in scrip, not cash, and
limit purchases to necessities.**

GROCCERS, tobacconists, gas station operators, drug store proprietors, and liquor dealers in New Jersey received a stiff jolt late last month when a report to a state legislative committee investigating state relief administration recommended that relievers be forbidden to buy such items as chewing gum, candy, cigarettes, gasoline, food for pets or livestock, soda pop, or an occasional glass of beer.

Other features of the report, an exhaustive study of New Jersey relief administration prepared on assignment from the committee by Mayor G. Barrett Glover of Haddonfield, N. J., were equally forbidding to tradespeople. They fear that the reduction of relievers' purchasing power which the program would effect might more than offset business benefits in the form of tax savings which would accrue through overhauling relief.

Main proposals of the report were:

(1) "Pauperization" of employable persons who have been on relief continuously for three years or more—and thereby denying such persons the right to vote under existing state laws.

(2) Requirement that persons on

relief be compelled to "sign contract, promising that they shall pay back aid received or work it out.

(3) Revision of the reimbursement system to reduce state aid from 75% to 50% of the total cost of relief and to raise the municipality's share from 25% to 50%.

(4) Payment of relievers in state scrip (rather than cash), redeemable only at state-licensed stores.

Glover argues that the cost of state relief can be reduced by \$3,000,000 or \$4,000,000 annually by adoption of his recommendations and urges that since unemployment has continued for 10 years, it must now be considered a permanent governmental problem.

Retailers eyed Mayor Glover's recommendations with dismay not only because of their possible effect on purchasing power but also because of the specter of patronage that they saw in the proposed state-licensing system.

WPA Hasn't Been Total Loss

Along with state relief administration officers, federal administration of WPA also came into the report's line of fire. Although it admitted that WPA "has been of considerable assistance in lessening the relief load," the report contended that "far greater assistance would be given to the relief problem if the work program were administered entirely by the state and financed—as are other forms of federal assistance—by a federal grant-in-aid to the state."

The report's severe criticism of "sewing-room" projects implies a greater emphasis on projects wholly directed by the state relief authorities under the Glover formula and a more discriminating participation in the federal works projects to which the state or municipality must make a sponsor's contribution of 25%. Such a greater selectivity is in line with the trend but any drastic step in this direction would inevitably increase the load of direct relief and costs of sustaining it. It just wouldn't be good sense—or good politics—for New Jersey to cut itself wholly from federal relief funds.

Criticizes Food-Stamp Plan

In the text of its recommendations which, if made law, would limit purchases by relief clients, the Glover report also takes exception to the food-stamp plan now being operated in many cities by the Federal Surplus Commodities Corp.—a plan that seeks, in effect, to increase relievers' purchasing power by providing \$1.50 of food for \$1 (BW—Dec 23 '39, p18). The report argues that "the commodities augment relief and do not replace it or reduce its costs. To a certain extent it [the food-stamp plan] operates to make the status of relief recipient more attractive."

Other suggestions in the report which most voters and tax-payers viewed with

approval, however, included those providing that a special assistant attorney-general be appointed to prosecute all cases of fraud arising in connection with relief administration; complete elimination of politics from relief; uniform records and reports; close supervision of municipal administration.

In Defense of Profits

Coast insurance men start an institute for "missionary work" against co-operative movement.

IN AN ATTEMPT to take the profit motive out of the doghouse, a group of California insurance men, mainly in fire and casualty, have incorporated the Profit Motive Institute. Announced objective is to "counteract propaganda against the profit system." This week, the new organization began to function with a full-time staff from its headquarters in the Fidelity Building, Los Angeles.

A year ago, a group of California insurance agents and local representatives got together to discuss the problem of co-operative insurance, which was making inroads in Los Angeles as elsewhere. They decided to study the new competition as a movement, and this led into the merchandise phase of consumer co-operatives.

According to H. S. McGee, president of P.M.I., the investigation confirmed that anti-profit propaganda was being carried on through a wide variety of channels, including schools and churches. In three states, the survey showed, teaching of fundamentals of consumer cooperation is compulsory in the schools. It is taught voluntarily in schools of 21 other states, and in 131 university economic courses. In 35 states the co-ops have been enterprising enough to secure special laws to make such organizations tax-free.

Insist on System's Superiority

P.M.I.'s objective, say sponsors, is to oppose "greedy and dishonest profit-making" and to demonstrate that the profit system offers far more than any of the ideologies suggested as a substitute. Its publicity will claim that: (1) The advantages of co-operative enterprises are often misrepresented, because apparent savings on merchandise and services are effected chiefly by lowering quality; (2) the consumer pays less, but his purchase is worth less, and could be duplicated at the same price by profit-earning sellers; (3) people join co-ops for profit, and when they do, some of the distribution machinery of the country is upset and unemployment created.

The first "missionary work" undertaken will be among business men, retail merchants, wholesalers, and manufacturers.

H. W. Holmes is secretary of the new organization.

IT PAYS TO MANUFACTURE IN THE WEST TO SERVE THE WEST

"After an experience of fourteen years in serving the baking industry in the eleven western states, our business grew to such an extent that we decided to build a manufacturing plant in order to better serve our accounts."

"The Metropolitan Oakland Area, from a geographical, climatic and the standpoint of water, rail and trucking transportation facilities, impressed us so favorably that we unhesitatingly decided to build our plant in this area."

"We feel that our judgment has been well justified and that we are better able to service our accounts throughout the eleven western states."

Doughnut Corporation of America

B. L. Marsh
President



"better able to service our accounts"

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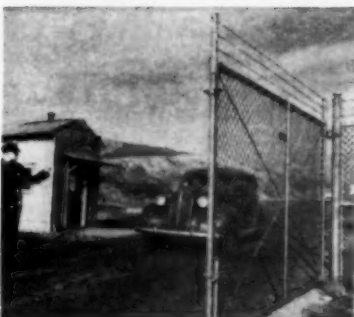
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MARKETING

Rug Buyers Win Strike

But price increases loom as last big manufacturer capitulates to demand for discount.

A TRUCE in the more than two-month-old battle between floor covering manufacturers and the big retail stores is expected to follow last week's resumption of volume discounts by Alexander Smith & Sons. Since the first of the year, buyers for the big stores have been on strike, withholding orders until the manufacturers came around. The National Retail Dry Goods Association sicked its members into the strike by condemning the rug men's action in discontinuing the traditional volume discounts (*BW*—Jan. 13 '40, p. 33).

Alexander Smith, which, with Mohawk and Bigelow-Sanford, accounts for around 55% of the total floor covering sales, is the last of the big manufacturers to give in. Both Mohawk and Bigelow-Sanford announced early last month that they would resume quantity discounts.

When rug manufacturers abandoned the discounts, they said they were doing so because of what happened to the Simmons Co. last summer. Simmons, which sold mattresses under somewhat similar volume discount terms, caught a Federal Trade Commission complaint for discriminating between buyers in violation of the Robinson-Patman law.

Retailers didn't see it that way. They claimed the carpet makers were abandoning discounts simply to conceal what amounted to a 3% or 4% price rise. And last week retailers thought their suspicions were verified when Mohawk, having returned to discounts, announced a 5% price rise—one likely to be followed by other manufacturers.

Conditions Now Impel Buying

The price rise, unlike the discounts, will probably stick. At the start of the year, retailers could afford to hold their buying. In New York, where the buying strike has been most evident, large department stores were carrying 6% heavier inventories at the end of December than the previous year, whereas sales were up less than 1%. But the situation has changed. Latest figures (to the end of January) show sales up 16% and stocks only 1.2% above the previous year.

Rug manufacturers have had tough sledding for the past ten years. Bad times and keen competition have made for high mortality among manufacturers. The new discounts don't seem to reduce the complexity of the industry's selling structure. Alexander Smith has announced a double system of discounts and merchandise credits. Discounts range

from 1% on shipments over \$1,000 to 3% on shipments of \$10,000 or over. Credits go from 1% on shipments between \$5,000 and \$10,000 to 3% on those over \$50,000.

Mohawk discounts are scaled from 1% on shipments of \$5,000 to 3% for shipments of \$85,000 or more. Bigelow-Sanford's run from 1% on a \$2,500 order, placed six months in advance, to 5% on a \$42,000 order, placed a year in advance.

Carpet prices have risen 12½% since the outbreak of war, not counting the 5% now announced by Mohawk. In justification, manufacturers quote rises in raw materials—20% in jute yarn, 40% in cotton yarn, between 50% and 60% in raw wool. Retailers are less impressed by these raw material quotations than they are by their own estimates of consumer demand this spring. That's expected to be "brisk"—so there may be quite a little rush to stock up before Mohawk's increase takes effect or other manufacturers follow.

Television—a Business

Limited commercial operation starting Sept. 1 is authorized by FCC.

PERMISSION TO OPERATE television stations on a limited commercial basis will be granted beginning Sept. 1, according to a new rule adopted by the Federal Communications Commission. The news was received with enthusiasm by the handful of broadcasters in a position to take advantage of the ruling in the fall—not so much because of the money involved, as because commercialization of programs is expected to give a much-needed stimulus to the sales of receivers, as well as encourage the construction of television broadcast stations.

The commission's cooperative gesture was accompanied, however, by a warning that emphasis on commercialism must not be allowed to interfere with continuing research into better methods of presenting programs to the public. The commission pointedly failed to set up any standards of transmission to be adhered to in commercial telecasting, stating that the art is still in too fluid a state to make standardization desirable.

Persist in Research

Two classes of television stations are set up: Class 1 stations will undertake primarily technical investigations and may use any channel not otherwise occupied. Class 2 stations will undertake a public program service, will use a fixed, assigned channel, will be permitted to broadcast commercial advertising programs and to accept payment from the sponsor for programming—not, however, for facilities. As long as the audience remains small (there are about 2,000 to



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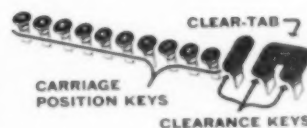
In either direction to any selected position, with or without clearance of any or all dials. The clearance is automatic and electric... no matter where the carriage is positioned!

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MARCHANT
Silent Speed CALCULATORS

MARCHANT CALCULATING MACHINE COMPANY
Home Office: Oakland, California, U. S. A.

Sales Agencies and Manufacturer's Service Stations
Give Service Everywhere

30th YEAR
Yours! WORTH MONEY!

MARCHANT CALCULATING MACHINE COMPANY
1475 Powell Street
Oakland, California

Without obligation, send me information showing how MARCHANT CALCULATORS can increase efficiency and reduce figuring costs in my business

Firm _____
Individual _____
Address _____
City _____ State _____

3,000 sets in New York City) there's little likelihood of a stampede of sponsors.

Such limited commercial operation marks the third period in the saga of the television broadcasting business. The first was the *simon-pure* period, when no program even faintly smacking of commercialism was permitted. This period extended from the early experiments up until 1939. At that time the National Broadcasting Co. initiated the second phase by using talent and program material—usually commercial movies—supplied by “sponsors.” In these deals, no money changed hands, either for technical facilities or for the services of the operating personnel. Now television enters the third stage of its commercialization. After Sept. 1 television stations like NBC's can go into the business of supplying and selling programs to sponsors. But the stations still won't be able to charge for facilities. Billing by the station must stop at the iconoscope camera.

More Receivers Must Be Sold

The fourth step, admittedly a long way in the future, will involve full commercialization, comparable with the present sound broadcasting set-up. This will wait not only on government sanction, but also on the evolution of the business to the point where enough receivers are in circulation to attract big appropriations from advertisers.

The NBC plan of “you supply the program, gratis, we supply the facilities, gratis” has been in extensive operation since the opening of public service in New York last April. On the average, about 12% of the program time has been devoted to some form of commercial program; three such ventures originated in the New York World's Fair: the Ford Cavalcade from the Ford Building, an institutional program on the petroleum industry, and a historical program commemorating the invention of electric light, in which the Edison Electrical Institute cooperated. Commercial films, advertising the virtues of General Motors products, Dodge Motor cars, du Pont products, International Harvester farm equipment, and Birdseye frozen foods, and a variety of other well-known products have gone over the iconoscope.

Products Enter the Picture

From the Radio City studio an elaborate history of the Baltimore and Ohio Railroad, sponsored and prepared by B. & O., has been telecast, and programs from the new La Guardia Airport, “sponsored” by the Air Transport Association, gave the audience an insight into the goings-on at a great air terminus.

These programs have been of the institutional type, intended to sell an organization or a service, rather than a specific product. But product-advertising has also had its innings. Elaborate fashion shows have been televised, with commercial plugs for their sponsors—such New York



Gene Buck, president of A.S.C.A.P. (right), and Harry Westfall, Phoenix, Arizona, Justice of the Peace, discuss the pros and cons of extortion.

department stores and specialty shops as Bonwit Teller, Arnold Constable, Franklin Simon, Milgrim, Bergdorf Goodman, Bloomingdale, and the Tailored Woman.

During the televising of the baseball game between the Brooklyn Dodgers and the Cincinnati Reds, the veteran announcer, “Red” Barber, showed himself

to be a real trouper by eating a full bowl of Wheaties, advertised, in full view of the cameras, during the seventh-inning stretch. The bill boards around the rim of the ball park came through clearly with their plugs for Gem Razor blades and Calvert whiskey—a back-door debut for liquor on the air-waves.

Radio Out to Bust Music Trust

Broadcasters, deploring headlines accorded to Gene Buck's set-to with sheriff, order full speed ahead in drive to break A.S.C.A.P.'s current tune monopoly.

GENE BUCK has been getting headlines lately in the long-smoldering war between the broadcasting industry and the American Society of Authors, Composers, and Publishers. As president of A.S.C.A.P., Buck was arrested in Phoenix, Arizona, two weeks ago on a Montana warrant. The charge was attempted extortion in connection with A.S.C.A.P.'s licensing of Montana stations for performance of music. End of the incident (but not its repercussions) came when Gov. Ayers of Montana refused to ask extradition.

More significantly, the National Association of Broadcasters has been going ahead with its Broadcast Music, Inc., the subsidiary with which broadcasters hope to break A.S.C.A.P.'s monopoly on contemporary music. Offices have been set up for Broadcast Music at 580 Fifth Avenue, New York. Last week a general manager was announced—Merritt E. Tompkins, president of Associated Music Publishers, Inc. April 1 has been set as the date when Broadcast Music will begin licensing users for its music in direct competition with A.S.C.A.P.

The fight between A.S.C.A.P. and the broadcasters has waxed ever hotter in the past two or three years. Like most trade wars, it has its origin in price. Broadcasters think that A.S.C.A.P. charges too much for radio's essential raw material—music. And the thing is that broadcasters have nowhere else to go; A.S.C.A.P. controls 95% of the music that goes on the air.

A.S.C.A.P. has had a near-monopoly of music ever since 1914, when Gene Buck, one-time aid to Flo Ziegfeld, co-founded the society with such famous musicians as Victor Herbert, John Philip Sousa, Jay Witmark, and Charles Harris. Today, the 100 music publishers and the 1,000 song writers who make up A.S.C.A.P. account for practically all of the country's hit tunes—symphonic or June-moon.

Every time an A.S.C.A.P. tune is played in public, somebody pays. To see that nobody holds out, A.S.C.A.P. polices every entertainment place from Radio City to the Kafe Kalamazoo. Half the collections go to music publishers and

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\$194,846,109.00

in plant expansions in one year!



OIL. This plant shared in the expansion program of one company to the extent of \$5,500,000 in 1939. Expansions costing \$7,000,000 are being carried out this year.



PAPER. This Pennsylvania paper manufacturing company spent \$2,900,000 for plant additions and improvements in 1939.



POWER. Industrial power is cheap and plentiful in Pennsylvania. That's one reason why industries locate here. In turn, that's why power plants expand. This is part of a \$10,000,000 expansion for one company, authorized and begun in 1939.



GLASS. A plate glass company, modernizing to keep in step with industrial progress, is spending \$1,700,000 to improve one Pennsylvania plant. This work, started in the summer of 1939, is expected to be completed before the end of 1940.

*There's a profit lesson for you in this
decisive evidence of Industry's confidence
in **Pennsylvania***

New plants, enlarged factories, added branch offices—but these pictures tell only a fraction of what happened in Pennsylvania in 1939.

There's a renewed confidence in Pennsylvania—a confidence built on its natural resources, its access to markets, its complete transportation system, its manpower, its buying power. A renewed confidence, too, generated by the first year's accomplishments of the state government—cutting administrative expenses 20%; reduction of personnel by 17%; repeal of hampering legislation. Best figures show stimulation of employment by industry to the extent of 400,000 new jobs.

If you seek new opportunity for *your* business—look into Pennsylvania. Write the Department of Commerce, Harrisburg, Pa., for your copy of "Pennsylvania—Its Many Industrial Advantages."

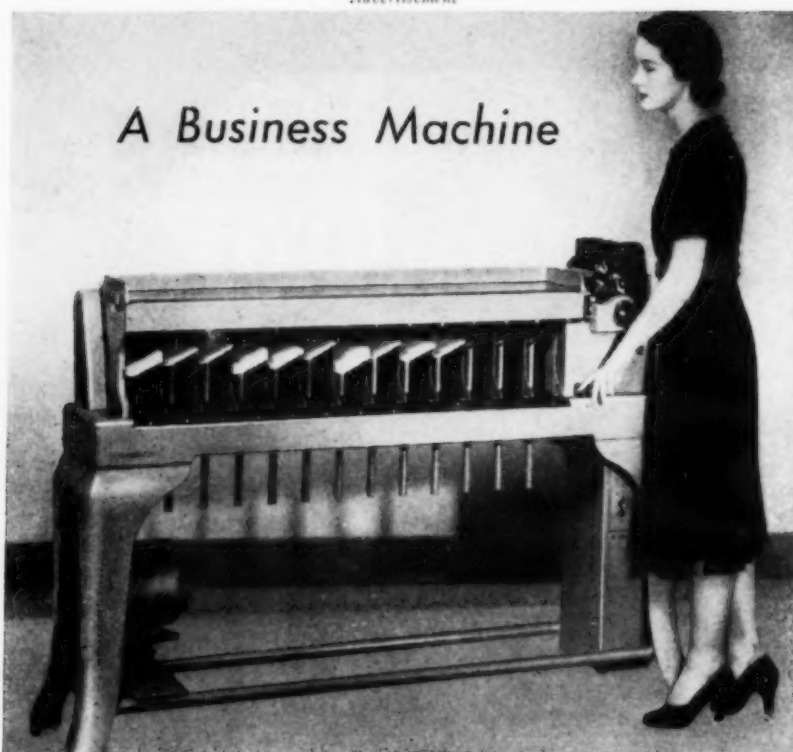
Pennsylvania

where your business can expand



ARTHUR H. JAMES, Governor • RICHARD P. BROWN, Secretary of Commerce

Advertisement



Arnold Genthe

INTERNATIONAL BUSINESS MACHINES CORPORATION
World Headquarters Building, 590 Madison Avenue, New York, N.Y.

DISTINCTION

Pension plans have been arranged by The Prudential for the employees of some of America's foremost business enterprises.

Wise executives, men of international prominence, have selected The Prudential to install these retirement plans because they were convinced it would mean:—

STABILITY — LOW COST — SAFETY

The same service is available to you.

Address

Group Annuity Consultation Service

The Prudential Insurance Company of America

Home Office
Newark
New Jersey



Chicago Office
1742 Bankers Bldg.
105 W. Adams St.

A convenient digest of the Social Security Act (1939) is available upon request.

half to song writers. The song writers' split-up is according to a rather arbitrary membership rating based on the number of song hits turned out. It takes a long time to work up in A.S.C.A.P. Broadcasters are counting on using that as an argument in luring young song writers away from A.S.C.A.P.

Radio is A.S.C.A.P.'s biggest source of income—last year accounting for nearly \$4,000,000 out of a total take of slightly less than \$7,000,000. Under contracts, which expire at the end of this year, A.S.C.A.P. collects a flat 5% on all programs, regardless of whether A.S.C.A.P. music is used on the particular programs. Only stations to escape are the very small ones which never play A.S.C.A.P. music.

Talk of Boost Provokes Revolt

It's that flat 5% that has made broadcasters boil. When A.S.C.A.P. began to hint at a boost in the ante, the broadcasters decided to do something. Last September — after negotiations with A.S.C.A.P. had broken off—the National Association of Broadcasters called a special convention in Chicago. Broadcast Music, Inc., was born at that convention.

To finance Broadcast Music, the N.A.B. decided to issue 100,000 shares of stock at \$5 per share. The shares have a par value of only \$1; the extra \$4 goes for an operating fund as the first-year license fee. Currently, 268 stations have subscribed \$1,173,000. 107 more stations are committed, so Broadcast Music feels pretty sure of an additional hundred thousand or so. Broadcasters have been coming in on a *pro rata* basis of one-half their 1937 payments to A.S.C.A.P.

To all intents and purposes, Broadcast Music will operate just as does A.S.C.A.P. It will license its works to all other users of music, including motion picture producers and exhibitors, orchestras, recording companies, hotels, and restaurants. Avowedly, Broadcast Music's primary interest will not be publishing, but if necessary it will do its own publishing and might get into recording too.

Networks Are for It

But whereas A.S.C.A.P. is a cooperative made up of song writers and publishers, membership in Broadcast Music is limited to radio stations. It's open to any licensed station. The networks are not in it as such, but they're wholeheartedly supporting it.

When Broadcast Music was first announced, it was largely discounted as a bluff, a weapon to force A.S.C.A.P. to more acceptable terms. Now it's apparent that it is no phony club, but a stern attempt by the broadcasters to release themselves from the necessity of bargaining with a monopoly. On the other hand, it doesn't mean that the radio stations are going to refuse to deal with A.S.C.A.P. They will, but with a source of their own behind them.

With Broadcast Music on the verge

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of issuing its first catalog, broadcasters are inclined to deplore Gene Buck's arrest in Phoenix, on the ground that it makes a martyr out of him. A.S.C.A.P. has long complained that broadcasters have pushed through "obviously unconstitutional" state laws against the society simply as a campaign of harassment. Buck's arrest brought the complaints to page one.

In all, seven states have passed laws designed to prevent A.S.C.A.P. from collecting royalties on music by the simple expedient of forbidding collections except on a per performance basis. These laws have been written on the statute books largely at the insistence of little station operators who feel that the flat percentage assessment hits them a lot harder than it does the big stations that can pass on the cost more easily to advertisers. Because of injunctions or knock-out court decisions, the laws are now inoperative in Nebraska, Florida, Kansas, North Dakota, and Tennessee. Washington and Montana are still working their laws. Schwartz and Frohlich, A.S.C.A.P.'s counsel in New York, said this week that counter-action against the Montana broadcasters who caused Buck's arrest will be undertaken as soon as the society's president gets back in New York. Final word on the constitutionality of the anti-A.S.C.A.P. laws has never been spoken by the U. S. Supreme Court.

Will See It Through This Time

Meantime, A.S.C.A.P. is known to be readying a new license agreement for broadcasters. The society's board was to have acted on it last week, but because of Buck's arrest, postponed consideration for a month. Officially, A.S.C.A.P. heads won't discuss the new terms; privately, it's reported that under the new licenses a greater burden of both commercial and sustaining fees will be shifted to the networks. Small stations are to get off lighter.

Big broadcasters say that A.S.C.A.P.'s rumored terms sound like a plan to split the industry, further to array big operators against the small ones. But they say it won't work, because this is one time the industry is going to see the thing through. How well the industry hangs together is likely to depend largely on how well Broadcast Music gets along. With 268 stations signed up and another 107 promised, it still has the active financial backing of less than half the country's 736 stations. If Broadcast Music is able to get together an acceptable catalog of music—working with comparative unknowns and music in the public domain—other stations are likely to string along. If it doesn't, broadcasters will once more have to dance to A.S.C.A.P.'s tune—or hope that there's something to the rumor that the Department of Justice is thinking about its anti-trust suit against A.S.C.A.P., which has lain dormant for the last five years.



MARY: "... nearly six, and I still have to type 45 copies of this report!"

JIMMY: "Aw, don't worry, Miss Smith. I can fix that."

MARY: "How, Jimmy?"

JIMMY: "We'll run off the copies on the duplicator, and you'll be out of here in 15 minutes!"

WHEN YOU HAVE information to broadcast to a number of people, do it the quick, easy, economical way—turn to your duplicator.

TO BE SURE your duplicator operates at peak efficiency, use Hammermill Duplicator Paper. It gives you a large number of clear, readable copies from every master sheet. It runs well on either gelatin or spirit duplicators. On the spirit machine it is an exceptional economizer of contact fluid.

MANY FIRMS KEEP a supply of Hammermill Duplicator with printed headings for use as office bulletins, memos, price lists, instructions to salesmen. You can get it quickly through your printer or stationer in white and 6 colors. Also in Hammermill Duplicator Bristol, a filing card weight.

SEND FOR 100-sheet packet, including test sheets of Hammermill Master Paper; a useful booklet, "Duplicator Facts"; and Duplicator Operating Guide, an aid to better duplicator work.

LOOK FOR THE WATERMARK

HAMMERMILL DUPLICATOR PAPER

MADE BY THE MAKERS OF HAMMERMILL BOND



Send for it!

Hammermill Paper Co., Erie, Pa.
Please send me free 100-sheet packet of Hammermill Duplicator including test sheets of Hammermill Master Paper, "Duplicator Facts," and Operating Guide. (Students & outside U. S., 50¢)

We operate a ☐ spirit-type, ☐ gelatin-type duplicator.

Name _____

Position _____
(Please attach to your company letterhead) BW-9

PAINT

69.7% of Business Week's Readers
Live East of the Mississippi



To most readers of this magazine, Kansas means Kansas City (which is in Missouri), grain, dust, William Allen White. Such is no true picture of a great state, a potent industrial as well as agricultural domain.

Metropolis of the Sunflower State is Wichita. There, forty years ago, W. C. Coleman started a business which ultimately became the world-famous Coleman Lamp & Stove Company.

Starting with a gasoline pressure mantle lamp, the company has grown until today it makes 80 different kinds of lamps and stoves for six different kinds of fuel—gasoline, kerosene, gas, oil, bottled gas and electricity. Over 30,000 dealers in the U. S. and Canada alone sell Coleman products. And because of their diversity they are widely sold in every corner of the globe.

Says H. H. Minard, Purchasing Agent: "For many years we have finished a large percentage of our household appliances with Sherwin-Williams Paints, varnishes, lacquers, and other finishing materials."

"Seeing our well-finished appliances creates a desire for ownership and we strive to improve the finish, make it attractive and durable at all times."

"Sherwin-Williams products have been very satisfactory and we are glad to recommend them."

Sherwin-Williams has so many satisfied, long term, old customers because we are always trying to give them something new. Our research laboratories and technical field men constantly try to improve our industrial finishes and methods of applying them. Coleman Lamp and Stove is using our new Kem Lustral on bottle gas drums; their floor furnace and small Oil Burner are finished in S-W Baking Enamel; our Graphic Arts materials are used for the display pieces which help sell Coleman products; and S-W Maintenance Finishes protect their plant.

Can we help you? We probably can! Because we've helped so many others, our experience is broad, logical, sound. Anyway, we'd like to try. Write The Sherwin-Williams Company, Cleveland, O.

**SHERWIN-
WILLIAMS**
INDUSTRIAL FINISHES



Newspapers Test Three Big Ideas

Start of lithography experiment in Hartford, space-selling combination in Southwest, and Midwestern effort to standardize rate differentials share spotlight.

It's AXIOMATIC that newspapers, as a class, have fared dismally in the last ten years. Faced with mounting costs, they've seen other media—notably radio—cut into their revenues. Trade estimators say that their advertising income dropped from something like three-quarters of a billion dollars at the start of the '30s to little more than half a billion last year.

Currently, the trade is watching three developments which hold promise of easing the squeeze—one by lowering costs, two by raising revenues.

This week in Hartford, Conn., the widely-heralded *Hartford Newsdaily* got its first issues on the street. Promoted and controlled by a bunch of youngsters under 30, the paper's significance lies in a radical mechanical departure—printing by offset lithography rather than by the traditional letter press-stereotype method (*BW—Dec 2 '39, p. 24*).

Lithography holds two great promises—unlimited use of pictures and the eventual elimination of expensive type composition. Lithography is essentially a photographic process, and its plates can be turned out as well from pictures or typewritten copy as from proofs of cast type.

Hartford's *Newsdaily* is using Linotypes, for the typewriter composers now on the market still turn out work that has a faintly typewritten look. But if *Newsdaily* proves the adaptability of lithography to newspapering, the trade is sure that an acceptable typewriter composer will be developed quickly. Estimates of the saving to small and medium-sized papers run all the way up to 40%, but lithography doesn't yet seem ready for big metropolitan papers.

Discounts Lure Advertisers

Second development the trade has its eye on is a new space-selling idea blooming in the Southwest. Three publishers, controlling five metropolitan papers, have formed the Basic Newspaper Group, Inc. Starting April 1, they'll offer big discounts to induce advertisers to use equal space in all five papers.

The papers are the Oklahoma City *Oklahoman* and *Times*, the San Antonio *Express* and *News*, and the Dallas *News*. Their combined circulation is slightly over 475,000. Discounts from individual rate cards will vary with the continuity of insertions over consecutive weeks and the volume of space during the year, and can run to 20% or 30%. Minimum space

to qualify is 56 lines a week in each paper.

Though the group was announced only a couple of weeks ago, it already claims some success. One advertiser who hasn't used newspapers at all has signed up for a year-long once-a-week campaign.

Third current hope for newspapers—and it's one of those slow developers—lies in lessening the friction caused by the differential between national and local rates. That differential has long been a thorn in the national advertiser's flesh.

A couple of years ago, the Inland Daily Press Association, made up of publishers of small and middle-size papers in the Midwest, began working with the American Association of Advertising Agencies on a program to make newspaper advertising more attractive to agencies. Meeting in Chicago two weeks ago, Inland members adopted a proposal to make costs the determining factor in figuring the differential between local and national rates. A committee on cost studies is now going to work, and the ultimate result will be a standardization of the differential.

Same Idea Busies Other Groups

Standardization isn't the complete elimination that national advertisers want. But they feel it's a welcome step in the right direction. The California Newspaper Publishers Association and the Southern Newspaper Publishers Association have been working on the same project. With that momentum, the American Newspaper Publishers Association will probably go to work on a national scale.

Complete elimination of the differential—if it ever comes—is most likely from government intervention. Since June, 1936, the federal Robinson-Patman law has made it mandatory for sellers to offer all buyers the same prices for goods or services. Differences in price must be justified precisely by differences in selling costs. But the R-P law applies only to interstate business, and thus far the Federal Trade Commission and the courts have never got around to deciding whether newspapers are interstate business. If the rate differential ever were knocked out, publishers would cry to high heaven. But some agency men say it might result in a sudden and startling resurgence of national advertising in newspapers—a resurgence that would more than offset the rate decline.

Ads Boost Wine Sales

California producers find national campaign has cured their old headache, an annual surplus.

CALIFORNIA WINE PRODUCERS at the annual meeting of the Wine Institute in San Francisco last week applauded a survey showing a 17% gain in their industry's sales during 1939, first full year of its advertising program.

H. A. Caddow, secretary of the Institute, reported that during the last five years there had been a reduction in the national average of taxes on wine from 22¢ a gal. to 8½¢; that 37 state markets for California wine had been "opened or broadened," and that national consumption of California wines had jumped from 26,000,000 gal. to 64,500,000 gal.

Institute statisticians exhibited figures showing that gross production of both dry and sweet wine during the 1939 vintage season was about equal to expected 1940 sales, a phenomenon new to the industry since repeal. The present consumption rate, reached since national advertising began, removes the effect of the surplus wine stocks that have been a headache for the industry.

Secretary Caddow revealed that stocks of ageing wine this year will be equivalent roughly to about one year's consumption of dry wine and to less than six month's consumption of sweet wine.

Total United States consumption of all wine last year was estimated at 76,583,000 gal. This included the 64,583,000 gal. of California wine, approximately 8,000,000 gal. of wine produced in other states and 4,000,000 gal. of foreign wine.

America's annual per capita wine consumption rate climbed to an estimated .585 gal. in 1939, an appreciable increase from the .515 gal. average of 1938 and over double the 1934 figure of .258 gal.

Shirts Are for Rent

Evanston firm's customers can book them in blocks of four at 3¢ above laundry rate.

WISCRACKERS got busy the other day when Illinois incorporation listings disclosed a new concern named Rent-a-Shirt System, Inc. But the owners of the firm—Dorothy Levine, Henry Lipsich, and Irving Davis—were too busy for kidding.

From its headquarters in Evanston, Ill., Rent-a-Shirt System solicits the privilege of supplying shirts to Chicago suburbanites. The plan is simple. R-a-S submits samples. A customer books his shirts in blocks of four, deposits 50¢ for each block. Average charge for laundering a shirt in the Chicago suburban area is 15¢. Rent-a-Shirt charges 18¢ per shirt delivered. Thus it gets 3¢ per wearing for depreciation and depletion, and keeps

a stranglehold on the laundry service at full scale prices. It figures 45 washings as a minimum life.

Demand is 90% for white shirts. R-a-S's customer gets his choice of better than a dozen styles of white: broadcloth, white-on-white, and so forth. Garments are of \$2-\$2.50 retail quality, but customers who go in for really expensive shirts have been obliged at a cost as high as 25¢ per washing.

At the first sign of wear, R-a-S agrees to replace any shirt without cost to the customer. Exception: If he tears it, he pays for it. He can withdraw and recover his deposit whenever he wishes.

Chief sales hurdle: The shirt-wearing public clings to the belief that a rental customer will be delivered just any shirt of the right size on hand. Actually, when the customer books a block of four, R-a-S buys a dozen so that four are always in his possession and eight are either ready to deliver or are in the tub.

After four months of experimenting, Rent-a-Shirt System claims 1,000 shirts in use. It needs 2,000 to make a profit on the service, figures it can sign up enough customers whenever it bears down on the selling job. A profitable family laundry service has developed because shirt-renters' wives insist on sending out the rest of the bundle with the shirts.

A. & P. Branded as Monopolist

FIRST of this week, Nebraska's Attorney General Walter Johnson filed suit in District Court in Omaha to oust Great Atlantic and Pacific Tea Co. from the state. The petition claims that A. & P. has monopolized commerce in the state, specifically charges that A. & P. has asked lower prices in three Omaha stores than it has for the same commodities in its Falls City store.

The petition is entered under Nebraska's Unfair Practices Act, which was passed on June 10, 1939. Twenty-seven other states have enacted similar laws, called "anti-discrimination" acts. Most of these specifically prohibit differences in price between localities, unless they can be justified by differences in selling costs.

In New York, A. & P.'s legal counsel was quick to point to that "unless." A. & P. was the defendant in an action under one of these laws in Minnesota two years ago, but was exonerated when the federal District Court found that price differences between localities were justified by differences in selling costs. A. & P. is counting strongly on that precedent and will argue that its Omaha stores are super-markets with lower overhead than the small Falls City store.

3,000,000 Pounds Pressure under Hairline Control—



WITH CONTROLS so sensitive that an egg can be cracked without spilling, and a tree trunk smashed with equal facility, the new "Templin Precision Metal Working Machine" gets on the job in the New Kensington, Pa., laboratories of Aluminum Co. of America. The hydraulic giant will work chiefly on testing aluminum products in tension up to 1,000,000 lb. and in compression to 3,000,000. Baldwin-Southwark Corp. built it to operate at record speeds up to 36 in. per min. Overall height is 40 ft. 4 in.

U. S. Loses Tire Suit

Government right to seek triple damages denied; legality of industry's pricing undecided.

THE GHOST OF THE NRA was vindicated this week when the government lost the suit for triple damages which it brought a year ago in U. S. District Court for the Southern District of New York against 18 tire manufacturers on charges of price conspiracy (*BW—Feb 25 '39, p16*). When the case was filed, rubber men complained ruefully that the government was hitting at them for the price maintenance originally adopted under the Blue Eagle.

Out of patience with the identical bids consistently submitted by manufacturers on nearly 100 different tire sizes since 1934, the government turned to Sears, Roebuck in 1937. When manufacturers responded to the next call for bids with lower—and varying—prices, the government brought its suit for triple damages (available under anti-trust laws to any individual injured by a conspiracy in restraint of trade). It was the first time the U. S. had instituted such an action in its own behalf.

"No Person," Court Says

Actually, however, the question of the illegality of the tire industry's pricing has been left undecided, as the court threw the case out on grounds that the government is not a "person," according to the definition of the Sherman Act.

Chances are good, however, that the government will appeal the decision, taking it all the way to the United States Supreme Court if necessary, for it is far-reaching in its definition of the government's status as a buyer from manufacturers. If the lower court's opinion is reversed and the government's right to such a suit is upheld, tire manufacturers will have to rely on arguments they originally advanced: (1) That the prices of which the government complained were in line with the minimums set under NRA, and (2) that they have always given the U. S. a square deal, incidentally pointing out that, whatever the quoted price, the "real" price of tires has gone down in recent years because of the increase in their durability.

MARKETING ANGLES

Answers for Consumers

LAST WEEK members of the Chicago Federated Advertising Club got together to look over what they claimed was the biggest exhibit ever shown of anti-advertising propaganda, ended by forming a permanent bureau of buyer information. The bureau will study the consumer movement, answer questions, and

prepare booklets, releases, and lectures to show just how advertising benefits the buyer.

Like a good many other advertising organizations (*BW—Feb 17 '40, p36*), the Chicago club has sponsored sporadic conferences on the consumer question, but has evidently found that these were not enough. The new committee (which includes such figures as Elon Borton of La Salle Extension, G. Victor Lowrie of McCann-Erickson, and Miss Aubyn Chinn of Borden's, who has headed up consumer relations for Chicago advertising women) will cooperate closely with the consumer council of the American Association of Advertising Agencies.

Sherwin-Williams Superlative

"THE BIGGEST THING SINCE THE MIRACLE" is what the Sherwin-Williams Co. calls its new *Paint and Color Style Guide* (weight, 8 lbs.; cost, \$250,000). Sherwin-Williams spent a year and a half getting the 236 Kodachrome color photographs of home interiors and exteriors, decorating many of them especially for the book. Reproductions, measuring 16 x 14½ ins., not only show off the company's paints, but also give fabric colors and patterns to be used in complementary upholstery and curtains.

The book has gone over so well with dealers, painters, and customers, that Sherwin-Williams is supplementing the original 25,000 copies with 10,000 reprints. The company already plans to do the whole thing over again next year. Dealers get the *Style Guide* for \$5, distribute it to painters free with an order for 100 gallons of paint. Around 2,500 copies of the book have been held out for direct sale, at \$10 a copy.

LABOR AND MANAGEMENT

Wage Tax Unites Foes

A.F.L. and C.I.O. working together in effort to throw out Philadelphia's pay levy.

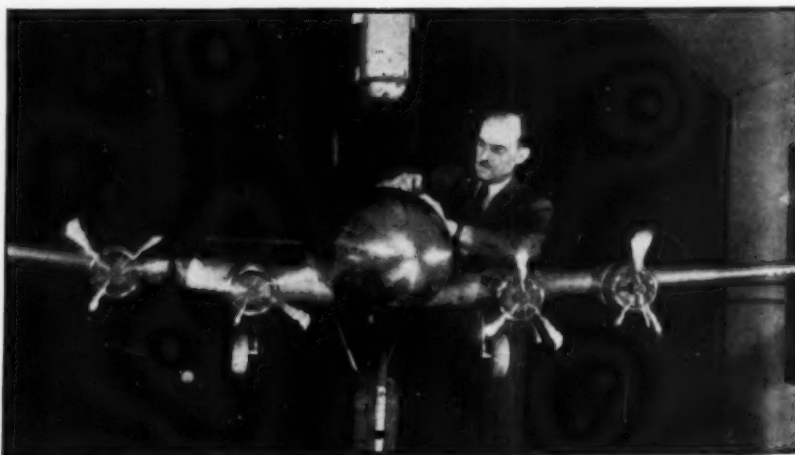
ONE MORE EVIDENCE of a rapprochement in labor ranks—at least for the purpose of making war on a common enemy—appeared last week in Philadelphia when leaders of the C.I.O. and A.F.L. agreed to join forces temporarily to continue their fight for repeal of Philadelphia's 1½% wage tax. The law was passed by the city council last December as an alternative to a city sales tax.

The wage tax not only makes weekly deductions from pay envelopes, but through personal statements collects 1½% from all persons, residents and non-residents, receiving commissions or trade profits within the city. No provision is made for taxes on income from other sources, such as stocks, stock dividends, or bond interest.

Labor's attack, based on the contention that the levy is "unjust" in that it imposes the burden of city financing on low incomes and is therefore regressive, has thus far met only a series of reversals. A test suit featuring Mrs. Jennie Dole, \$10-a-week shirtmaker, was dismissed from the United States District Court for lack of jurisdiction.

A three-judge Common Pleas Court took the next whack at the suit when it declared the tax legal on the same grounds that upheld a city income tax in 1938. However, a note of hope for the

Boeing's High-Priced Guinea Pig



Edmund T. Allen, Boeing Aircraft Co.'s director of flight and research, looks over a working model of the Boeing 307 Stratoliner, built for wind tunnel testing. The plane, which is a

one-tenth scale replica, has a 10 ft. 9 in. wing span, electrically-powered propellers, and a complete system of remotely-operated flight controls. It cost a cool \$16,000.

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unions was injected later when one of the judges reversed himself and asserted that the tax delegated too much power to the receiver of taxes, offered no provision for a hearing or review of tax rulings, and violated the due process clause of the United States Constitution.

The case was then carried to the state Supreme Court, which ruled that the tax was valid and constitutional on Feb. 5. Not until then did most Philadelphia employers pay the tax. It has, however, netted well over \$1,000,000 since the first of the year and it is estimated that it will enrich the city about \$15,000,000 by the end of 1940.

Unions Persevere in Fight

Labor feels that it has not in any sense exhausted the possibilities of judicial relief, and plans to fight the case to the United States Supreme Court if necessary. In that attack, it can count on some support from tradesmen who feel the effects of the tax because of declining purchasing power among wage earners. Employers also resent the tax because it results in bad labor relations when they are forced to deduct from pay-rolls.

Although employees have become increasingly familiar with payroll deductions during the last 10 years—Social Security, state unemployment compensation, as well as voluntary fees for group insurance plans—they argue that the city tax is discriminatory against labor. They declare that the financial security of the city rather than their own security is involved.

One employer who was outspoken last week against the tax was Edward G. Budd, manufacturer of automobile bodies and stainless steel trains, who employs about 6,000 workers. His company, he revealed, has paid the tax out of company funds rather than out of salaries.

Voicing the sentiment of many employers, Mr. Budd denounced the law-makers for putting manufacturers in the role of "collection agents." He called the deduction of Social Security as well as the wage tax from pay envelopes "an outrageous injustice to employees."

LABOR ANGLES

NLRB Hits Baldwin

THE BIGGEST and stormiest labor case in the Philadelphia region was settled last week to the National Labor Relations Board's satisfaction, when the Baldwin Locomotive Works, at Eddystone, Pa., was ordered to abolish its Federation of Baldwin Employees, designated as a company-controlled union. But the company will appeal to the United States Circuit Court for legal review.

The NLRB hearings, instigated by the Steel Workers Organizing Committee, began in December, 1938. Among the charges: that the company had paid \$35,-

000 for Pinkerton labor service—branded as "espionage"—and that a plant engineer aided in distribution of booklets entitled "Join the C.I.O. and Help Build a Soviet America." The labor board orders to the company require it to repudiate the company federation's contract; to desist from espionage and coercion; to post notices that workers are free to remain members of or join the C.I.O.; and to reinstate five men, fired in 1937 for alleged union activity.

What Next?

OIL WORKERS, on strike against the Mid-Continent Petroleum Corp., makers of D-X gasoline, first got a reputation as smart advertisers last August when match folders were passed out in Chicago advertising their strike (*BW—Aug 12'39, p.32*). Now, they are distributing posters printed in bright red, yellow, and black proclaiming their grievance.

Bulletin No. 114 of the *D-X Strike News* also reports that a stage show, originally formed by union men and women from Oklahoma City to promote sympathy for the strike in mid-western cities, is making a "profit," sending contributions to the strike committee.

NLRB Statistics

LATEST REPORT of the National Labor Relations Board reveals that 52 employers have filed petitions seeking elections when two or more unions have presented conflicting majority representation claims since last July when the Board changed its rules to permit employers to take the initiative (*BW—Jul 15'39, p.7*).

All told, the board has handled 25,968 cases involving 5,805,699 workers, has supervised 2,631 elections—a monthly average of about 50—since 1935. During the last six months, the report says the average number of elections has increased to 70 a month.

Good News

VACATIONS with pay in 1940 for about 17,000 more employees of Bethlehem Steel Corp. than got them in 1939 were heralded this week by the company in response to requests made by employees' representatives last December. Under the liberalized plan, service requirements for hourly, piece-work, and tonnage workers have been reduced from five to three years for one week with pay. Veterans with 15 years or more service will get two weeks.

About 60,000 workers will be eligible for paid vacations this year—two-thirds of Bethlehem's working force. In 1939, 43,000 took time off at a total cost to the company of \$1,532,000; the 1940 plan will increase the cost about \$1,000,000. Also good news was Bethlehem's concurrent announcement that about 25,000 employees were added to payrolls in 1939 and that average earnings per hour of Bethlehem employees were more than 32% higher in 1939 than 10 years ago.



ERIE TURNS HOURS INTO MINUTES Streamlines Freight Service with Teletype

● A new teletype system—type-writing by wire—now connects principal Erie Yards with the General Offices in New York, Cleveland, and Chicago. Car-by-car train lists of all eastbound and westbound trains leaving principal through-train yards are teletyped to the General Offices following departure of each train to enable them to give you quickly information as to location of cars.

In addition, reports prepared in Cleveland General Office from teletyped train lists are mailed daily (many by air mail) to Erie representatives in 65 cities throughout this country and in Canada so that they, too, can give current information about car movements.

It is another example of progressive improvement in Erie freight service. Erie not only handles cars on schedule but can tell you quickly where the cars are. What formerly took hours is now done in minutes—with teletype.



PRODUCTION

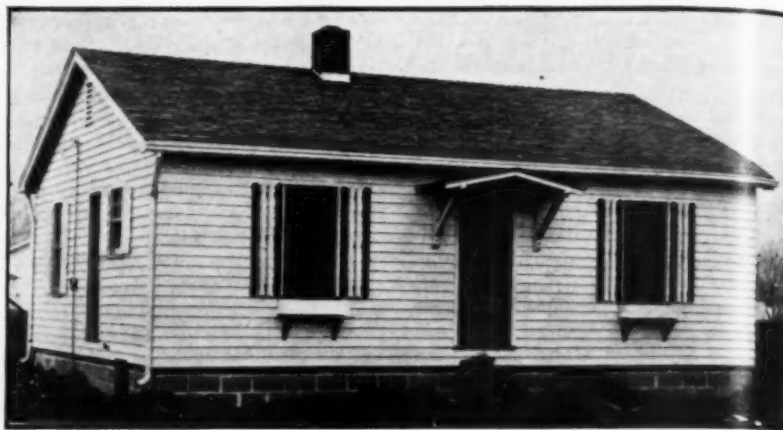
Still Cheaper Houses

New readymade line will be offered by former Sears mill which was bought by employees.

WHEN Sears, Roebuck & Co. retreated from the building material business in the early thirties (*BW—Sep 23, 1939, p. 27*), its subsidiary Illinois Lumber Yards at Cairo, Ill., was hard hit. Eventually the Modern Homes work was redistributed to the larger Sears mills at Cincinnati and Port Newark, leaving Cairo to make brooder houses, crates, and boxes, many of which were sold on low margins to large commercial users. Thus the plant teetered along, barely above the break-even line. Last autumn Sears decided to close it permanently.

Plant Manager Fred K. Wheeler and four of his lieutenants scraped together the cash to buy the plant at a fraction of replacement value. Then, for working capital, they sold preferred stock to the workers and to citizens of Cairo who hated to see the 200-man payroll fold. And because Sears retained the old name, they became Illinois Lumber Mfg. Co.

As employees, Wheeler and associates had wished Sears would push low-cost homes instead of condemning their mill



The first of the new Illinois Lumber houses to be built commercially, this four-room unit was erected in 183

to business that brings little profit even on 24-hour operation. As owners, they retained an architect of successful pre-cut and pre-fabricated experience and went to work. The result is a line of six small houses reaching down into a price range that no one has ever exploited on a large scale.

The 3-room house costs \$450, the 6-room \$1,300, f.o.b. Cairo. They are architecturally attractive, do not look like factory-made boxes. The line is not yet announced, but Wheeler is working on a

man hours, after the foundation had been laid. The company expects to beat this time on the next job.

mailing piece to include pictures, prices, and all the answers to the questions that arrive with every mail.

Illinois Lumber Mfg. Co. is after the minimum-income buyer, has heeded the success of Hoess Bros. of Hammond, Ind., with "basic housing" which leaves it to the purchaser to supply and install utilities as well as to finish the house inside and out (*BW—Jul 22, 1939, p. 20*).

Illinois package houses are shipped in pre-fabricated wall-bearing sections, complete with rigid board insulation. They come in two grades. Grade A has pre-cut siding to be applied on the job, thus avoiding visible seams where sections are joined. Grade B lacks the shiplap sheathing of Grade A, comes with the building paper inside the sections, and molded joint siding already on.

Owner Supplies Some Utilities

All framing is No. 1 yellow pine, all sheathing No. 2. Siding is No. 1 fir. The interior plywood is fir, will soon be sap gum for a surface easier to finish. All exterior and interior wood surfaces are primed with a colorless preservative. Hardware, and roof and building paper are included. The owner supplies his own foundation and chimney, plumbing, wiring, heating.

First of these houses built commercially was a 4-room unit shipped last week to an Indianapolis firm. Best estimate of erection time for these houses is about one and one-half man-days per room. Wheeler estimates delivery to a site within 350 miles at 10% of the f.o.b. price; erection labor, unskilled, at 25¢. Add \$200 for the lot, and put a liberal loading on for supplying stove heat and hooking the plumbing—but no bathroom—to city water. The entire house and lot should cost well below \$1,500. All the houses are designed for future additions without major alterations. Most ingenious is a 3-room unit that can grow a room at a time, to a well-proportioned 6-room house.

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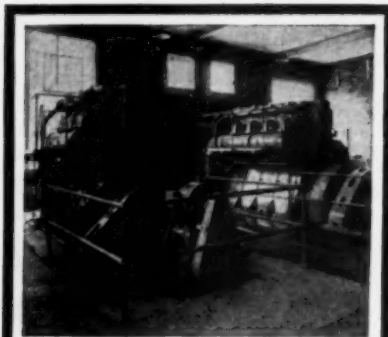
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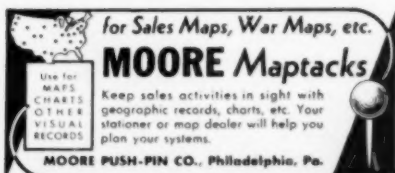
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Research in Research

Nation's scientific facilities being surveyed under auspices of Resources Planning Board.

ABOUT A YEAR AGO the National Resources Committee (now organized as the National Resources Planning Board) published a report on the research work of the federal government. Since then, the board has been working on a survey of research in economics and the social sciences as developed in financial and commercial organizations. Both projects come under a comprehensive plan to evaluate the resources for scientific work in the United States.

Last week the big banquet staged by the National Association of Manufacturers to honor 500 Modern Pioneers of Industry (*BW—Mar 2 '40, p. 20*) brought incidentally into the spotlight a still newer activity of the National Resources Planning Board. This one, which might be called "research into research," is a sur-

vey of all scientific research in industry. National Research Council is doing the work for the board.

The council has appointed a committee of 26 distinguished research directors, technical editors, university professors, and business executives. F. W. Willard, president of Nassau Smelting & Refining Co., is chairman. Immediate direction of the survey has been delegated to Raymond Stevens, vice-president of the research firm of Arthur D. Little, Inc. He in turn has retained more than a dozen top men in chemistry, physics, metallurgy, biology, and engineering.

While the funds are to be supplied by the NRPB, the National Research Council is being given full freedom in its conduct. A mere census of scientific men and research facilities is not contemplated. Rather it is hoped to bring out significant trends now being followed in the laboratories of industries and universities. Included, too, will be a history of the development of the research idea in industrial operations and a comparison with similar efforts in foreign nations.

Manufacturer and Customer Join in Turbine Research



MANY steps removed from the ancient legal doctrine, "let the buyer beware," is the manufacturer-customer research on high-pressure steam turbines now being conducted jointly by Philadelphia Electric Co. and Westinghouse Electric & Mfg. Co., in the former's Schuylkill Generating Station. This turbine, which drives a 10,000-kilowatt generator in the utility's regular power hook-up, operates at a steam pressure of 1,250 lb. and a temperature of 900 deg. F., hot enough to melt lead and to cause steel to glow.

Researchers, protected from the

heat by thick insulating quilts of glass fiber surrounding the turbine, take movies of its revolving innards through an ingenious system of windows and mirrors which reflect what the turbine blades are doing under the wicked impact of steam at 1,500 miles per hour. Present subjects of special studies include vibrations in blades and "creep," or growth, of hot metals. Here Philadelphia Electric's N. E. Funk (center), Westinghouse's F. T. Hague (left), and R. P. Kroon inspect the outfit before its first public demonstration last week.



NEW PRODUCTS

Electric "Stopwatch"

INSTEAD OF A CONVENTIONAL DIAL, the new Time-It Electric Stopwatch utilizes a counter mechanism reading clearly to



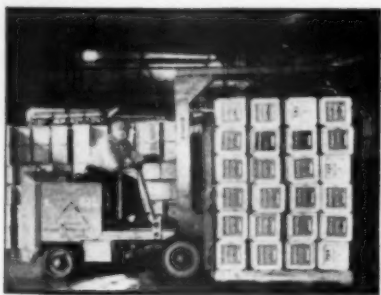
1/10 sec. and integrating to 10,000 sec., or 2 hr. 46 min., before running back to zero. Precision Scientific Co., 1750 N. Springfield Ave., Chicago, will equip it with synchronous motors in cycles other than 60 when desired.

Typewriter Addresser

WHENEVER there are not enough repeat mailings to justify address plates or stencils, the new Burroughs Front-Insertion Typewriter Addressing Machine will come in. Envelopes, postcards, shipping labels, tags, etc., are dropped, several at a time, in the machine's front-feed chute rather than inserted around the platen. Even stuffed envelopes can be handled. Burroughs Adding Machine Co., Detroit, makes the machine with electric carriage return, platen spacing, and capital shift like its standard typewriter, and it can be used as such.

Lift-Grip Truck

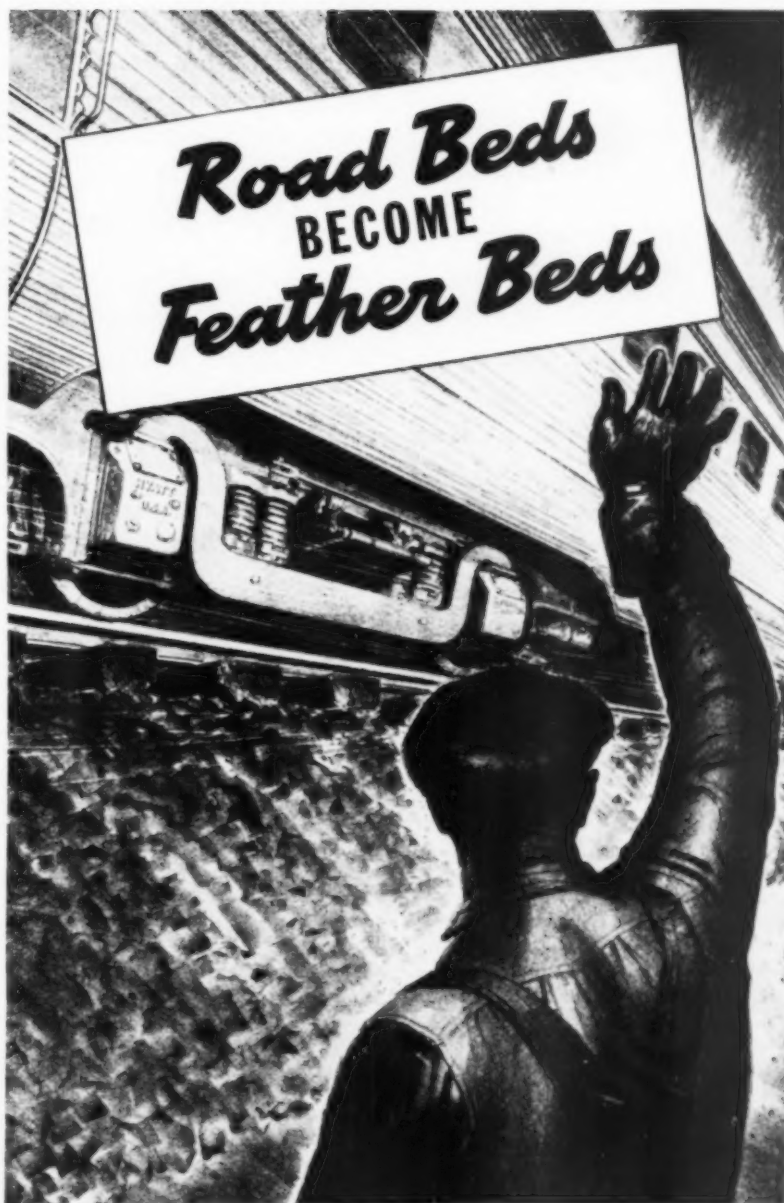
EXTENDING from the top of the new Towmotor Lift-Grip Truck is an upper "jaw" which grips light-weight goods gently to permit larger loads, prevent spillage, and



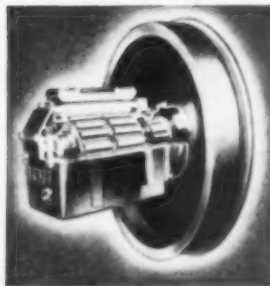
increase speed in transport. Here the device is handling 24 cases of oranges at a bite. Towmotor Co., 1246 E. 152nd St., Cleveland, stresses the fact that the jaw may be removed when loads not needing it are to be handled.

Illuminated Mirror

CLIPPED QUICKLY to the sun visor of an automobile and wired to the lighting cir-



IN THE MODERN STREAMLINER you are under way before you realize it, so smooth are the starts and so comfortable the ride . . . over road beds that seem like feather beds, on Hyatt Roller Bearing Journal Boxes. Considered one of the toughest assignments a bearing has to face, railroad car journal service is particularly adaptable to Hyatt's sturdy design . . . as are the myriad of automotive, agricultural, and industrial applications which Hyatts also serve so well, and so long. Hyatt Bearings Division, General Motors Sales Corporation, Harrison, N. J., Chicago, Pittsburgh, Detroit, San Francisco.



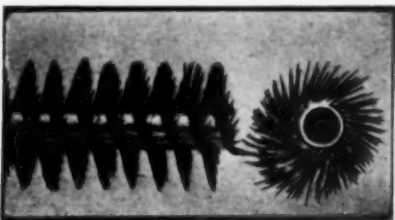
HYATT

R O L L E R B E A R I N G S
Q U I E T

cuit, the Illuminated Vanity Mirror offers a new convenience. Joseph Pollak Corp., 79-85 Freeport St., Boston, makes it with Lumarith plastic trim furnished by Celluloid Corp.

Heat Transfer by Spines

SPINELIKE PROJECTIONS on the new Thermek Coils promise to bring new efficien-



cies to heat-transfer units used in conjunction with air-conditioning equipment developed by Fairbanks, Morse & Co., 600 S. Michigan Ave., Chicago. The projections are neither welded nor soldered to the coils, but are built integrally.

Fillet Checker

WELDING OPERATORS and inspectors will probably want to see the new G-E Fillet-Weld Gage. It is made for the pocket out of stainless steel by General Electric Co., Schenectady, N. Y., to check fillets in a range of several sizes.

Lump Printing Ink

PROMISES of increased printing speed and clarity of impression come with the new Velo Cold-Set Inks and Printing Process of J. M. Huber, Inc., 460 W. 34th St., New York. The ink is supplied to printers in the form of lumps like coal. It is melted by a hot-water jacket on the ink fountain. When printed on paper at room temperature, it freezes or sets instantly without penetration.

MONEY AND THE MARKETS

FINANCE • SECURITIES • COMMODITIES

Stock Trading Tone Changes

Volume of transactions increases modestly while the old-time market leaders attract more attention, and both factors are regarded favorably.

THIS WEEK has witnessed a couple of interesting technical changes in the stock market. One of them was the modest expansion in volume of trading. Another was the increased activity in the accepted market leaders.

Neither of these factors is of a sufficiently positive nature to indicate that the market is now ready for the sustained rise that many people expect this summer and fall. Nevertheless, they are both on the constructive side.

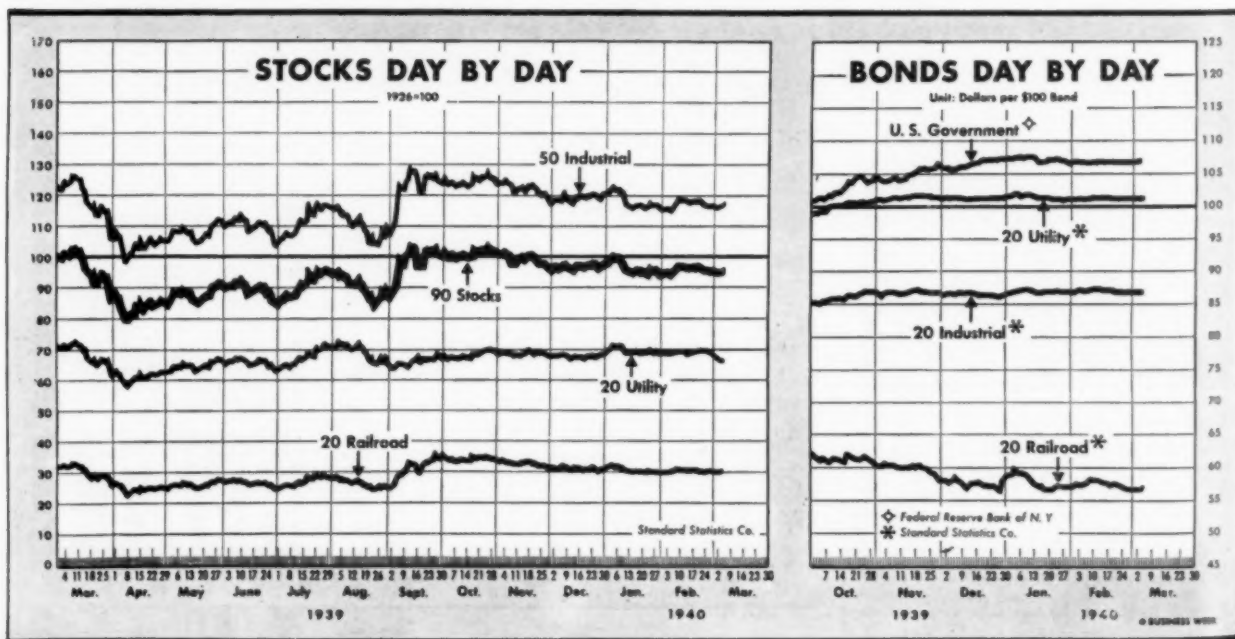
You're never going to have a bull market when trading on the New York Stock Exchange dawdles along at the rate of 400,000 to 500,000 shares a day. Last Monday the Big Board turnover was only 460,000 shares. On Wednesday, when prices unexpectedly took a bit of a bounce, some 860,000 shares changed hands. That still isn't much of a day from the standpoint of the brokers who have to pay 40,000 employees out of the commissions they make off transactions, but it nevertheless was the best since Feb. 9.

The price of the more active stocks also has quite an influence on brokers'

incomes due to the fact that commissions are on a sliding scale. On Mar. 1 and Mar. 2, when the average price of the 10 most active Big Board stocks was 8.06 and 8.83, respectively, it's pretty obvious that nobody made any money, particularly in view of the fact that trading was very light. On Tuesday of this week, the 10 most active issues averaged 23.90, which is quite a lot better, and on Wednesday it was 22.37.

Buying Shows Some Confidence

However, the real significance in the rise in price of the 10 most active stocks is not to be found in what it does for brokers' commissions. The important thing is that it means traders are buying the representative market leaders like the steels and chemicals (instead of Seaboard Air Line, a bankrupt railroad whose common stock almost certainly will get nothing in reorganization, nevertheless has been the most active issue on the board in three recent sessions at 25¢ a share). When traders buy the market leaders, they have some confidence in the outlook.



FINANCIAL ANGLES

Multiple Trading Ban

NEW YORK STOCK EXCHANGE members in recent years have come more and more to help smaller exchanges maintain trading in Big Board stocks. There are 23 out-of-town exchanges upon which "New York stocks" are traded. It is argued that Big Board members' activity on the outside markets contributes the bulk of the trading on many of the exchanges—and it all cuts New York exchange revenues, particularly on clearings. The Big Board has, therefore, decided to enforce its rule which prohibits members from "making" markets anywhere but on the New York Stock Exchange. Customers' orders specifying the

place of execution are exempt, however. The effective date will be decided after affected members have had a chance to come in and talk it over. This ruling demonstrates the Big Board's apparent intention to hang onto trade in its listings despite the SEC's tendency to encourage regional trading in local securities.

Indenture Turned Down

THAT NEW trust indenture law which took effect last month (BW—Feb 17 '40, p.50) drew first blood this week, when the Tennessee Valley Paper Mills, Inc., was forced to withdraw an indenture covering a proposed \$2,392,500 debenture issue, for failure to conform with the terms of the law. However, the company declared it would immediately amend the indenture. Proceeds of the debenture issue, together with a \$3,420,000 loan from the RFC, are to finance the company's entrance into the newsprint manufacturing field, with the Herty process to be used.

Two Insurance Proposals

TWO CHANGES in New York state insurance law, both of which would set precedents in their own way, are being pressed. One embodies revision of the old New York fire policy form which is standard throughout most of the country. The changes have the effect both of modernizing the fire contract and of broadening it. Such legislation in the past (BW—Oct 10 '36, p.38) has been opposed by many

These Seesaw Markets

STOCK PRICES thus far in 1940 have done just what they have been doing ever since Sept. 13, 1939, when the war boom petered out. Composite averages tipped down just a trifle in January, edged upward ever so slightly in February. Yet there continue to be groups which do substantially better or worse than the average as the following shows:

	Close		
	Dec. 30	Jan. 31	Feb. 29
Aircraft Manufacturing...	35.3	34.3	35.2
Air Lines.....	24.8	24.3	25.4
Amusements.....	13.1	13.0	13.0
Arms, Ammunition.....	57.8	59.2	62.1
Automobiles and Trucks.....	31.5	29.5	30.3
Auto Accessories.....	25.7	24.8	25.9
Bldg. Materials & Supplies.....	29.3	29.3	28.4
Business Machines.....	52.3	51.9	54.1
Candy and Beverages.....	65.7	68.3	70.0
Carpets and Rugs.....	22.4	23.0	21.1
Chemicals.....	68.0	66.1	67.0
Coal.....	9.4	9.5	9.9
Containers & Closures.....	45.3	46.5	47.4
Electric Utilities.....	28.4	28.2	27.7
Electrical Equipment.....	43.6	40.1	41.5
Farm Implements.....	39.3	35.8	36.1
Foods.....	30.9	31.1	31.2
Glass (flat).....	76.5	74.9	76.5
Gold Mines.....	33.5	33.3	30.7
Investment trusts.....	10.5	10.0	10.2
Leather & Shoes.....	17.3	17.6	18.3
Liquor.....	22.0	22.3	22.4
Machinery.....	17.8	17.5	18.0
Mail Order.....	50.3	48.1	49.3
Meat Packing.....	15.6	15.9	15.9
Metals.....	37.6	36.0	37.1
Paper & Paperboard.....	24.8	23.5	24.0
Petroleum.....	20.3	19.0	19.9
Railroads.....	19.7	17.9	17.8
Rail Equipment.....	24.9	21.6	22.0
Shipbuilding.....	19.6	19.7	20.3
Ship Lines.....	16.8	17.0	17.4
Steels.....	42.3	38.3	40.4
Stores, Department.....	22.6	21.9	22.0
Stores, Dept. Chains.....	37.6	35.7	35.9
Stores, Food Chains.....	33.4	33.4	34.1
Stores, Variety.....	20.4	20.2	20.7
Sugar.....	17.5	16.9	18.3
Textiles, Wool & Cotton.....	18.4	17.7	18.2
Textiles, Rayon.....	28.7	26.5	27.5
Tire and Rubber.....	25.0	23.3	24.0
Tobacco.....	56.1	56.9	58.2

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EYES

Soft, diffused, IDEAL lighting for executive desks and for general office use; also for color matching in retail stores. Eliminates eye-strain on details. More light per watt—cooler light.



Priced As Low As \$10!

FLUORESCENT LAMPS

Many attractive styles and finishes. Floor stand with swinging arm, clamp-on styles—for unlimited uses.

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Faries Lamps
LEADERS IN STYLE AND
LIGHTING EFFICIENCY SINCE 1880

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for
Literature
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PRICES

YOUR GUIDE TO
GOOD LIVING IN ST. LOUIS

Hotel Mayfair
All rooms with bath—
radio reception

BUSINESS WEEK

Five dollars per year
Three years, ten dollars

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\$20,000,000

(of which \$17,700,000 are publicly offered)

Elgin, Joliet and Eastern Railway Company

First Mortgage 3 1/4% Bonds, Series A

Dated March 1, 1940

Due March 1, 1970

Interest payable March 1 and September 1

Price 101 1/2% and Accrued Interest

The entire Offering Circular should be read prior to any purchase of these Bonds. Copies of such Offering Circular may be obtained in this State from only such of the undersigned as may legally offer these Bonds in compliance with the securities law of this State.

These Bonds are offered subject to authorization by the Interstate Commerce Commission and subject to the condition, among others, that the order, or orders of the Interstate Commerce Commission authorizing the issuance and sale of the Bonds shall have taken effect on or prior to April 15, 1940.

MORGAN STANLEY & CO.
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GLORE, FORGAN & CO.

CENTRAL REPUBLIC COMPANY

A. G. BECKER & CO.
Incorporated

March 7, 1940

The Earnings Record

No. of Cos.	Industrial Groups	Net Profits (000) 1938	1939
115	Food products...	\$87,450	\$131,848
47	Beverages	18,010	19,723
21	Tobacco products	91,814	94,818
99	Textile products	d-10,946	40,009
22	Clothing & ap- parel	1,095	8,204
23	Leather products.	2,402	15,791
21	Rubber products.	23,149	41,853
30	Wood products..	2,303	4,738
44	Paper products..	14,600	29,903
21	Printing, publish- ing	1,898	3,670
60	Chemical	124,219	202,278
21	Petroleum prod's.	51,224	55,686
44	Stone, clay, glass	26,681	49,841
42	Iron and steel...	d-5,295	136,329
11	Farm implements	35,485	27,389
27	Building equip..	2,223	17,373
30	Elec. equipment.	15,942	37,005
32	Hardware, tools.	5,889	13,064
22	House. equip....	5,102	8,086
73	Machinery	15,563	25,018
12	Office equipment	9,525	9,219
22	Rail equipment..	d-1,512	14,930
14	Aircraft and parts	675	7,184
38	Misc. metal prod- ucts	22,944	38,026
19	Automobiles	105,459	223,269
37	Auto equipment.	d-647	22,127
13	Misc. mfg.....	1,612	4,098
960	Total	\$646,864	\$1,281,479
d	—deficit		

Data: National City Bank

in the insurance business simply because the New York form has been so thoroughly adjudicated.

The other is a proposal by Louis H. Pink, New York state superintendent, for compulsory automobile liability insurance modelled after the Massachusetts law. The Bay State plan has been criticized because (1) it doesn't cover out-of-state drivers, (2) forcing the little fellow to carry insurance means a financial burden, and the financial burden inspires legislators to sponsor compulsory rate reductions, and (3) there is a tendency to sue if you know the driver is covered by insurance.

BENEFICIAL INDUSTRIAL LOAN CORPORATION DIVIDEND NOTICE

Dividends have been declared by the Board of Directors, as follows:

PRIOR PREFERENCE STOCK \$2.50 Dividend Series of 1938

62½¢ per share

(for quarterly period ending Mar. 31, 1940)

COMMON STOCK

45¢ per share

Both dividends are payable March 30, 1940 to stockholders of record at close of business March 15, 1940.

E. A. BAILEY

March 1, 1940

Treasurer

BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

Aluminum Is News

Contract with Britain will increase Canadian industry's output by 30% for war demand.

OTTAWA (Business Week Bureau)—Details of the British government contract with Aluminum Company of Canada is the big news of the week. The deal has been known for some time (BW—Feb 17 '40, p. 52) and calls for tremendous expansion to meet war demands. In effect, the British government is furnishing capital for plant additions. The company doubled its capacity during the past four years; the new contract adds about 30% to present potential output. Nobody is worrying just now over what to do with the added capacity after the conflict ends.

The British government agrees to take the company's entire exportable surplus, about 90% of production. (Present smelter capacity is 90,000 metric tons.) Price is based on before-the-war quotations, or 20¢ per lb. The new contract will total about \$50,000,000.

The company's new Kingston, Ont., fabricating plant is nearing completion. It cost \$7,000,000, will soon be turning out plates for aircraft. Other plant extensions now will be rushed. Companies

likely to figure in these are Foundation Co. of Canada, Dominion Engineering Works, Canadian General Electric.

(Aluminum Company of Canada is a subsidiary of Aluminium, Ltd. The corporation was formed by Aluminium Company of America in 1928 to take over its foreign activities. Through stock ownership, the Mellon interests control the Canadian concern.)

There is no let-up in plane orders. National Steel Car Corp. will build 242 Westland Lysander army cooperation planes (to cost \$6,875,000) at its Malton, Ont., plant. Canada will take 92 of these, Britain 150. Ottawa Car and Aircrafts, Ltd., will assemble Avro Anson planes from parts shipped in by Avro Anson's U. S. plant. Wings are being fabricated by Ottawa Car, DeHavilland and others.

Lumber Orders Pile Up

Lumber exports increased 20% in January over December, to nearly \$4,500,000. About half went to Britain which is expected to take 900,000,000 ft. during the first war year. Canadian manufacturers of rayon pulp have increased price \$5 a ton. Bleached and unbleached paper pulp prices for the second quarter of this year will be raised \$2.50 to \$5 a ton, following a \$10 advance last January.

Manchurian Housing Project—For Soybeans



They look like dog houses, but these straw shacks are actually to protect a new crop of soybeans against the Manchurian winter. The beans didn't used to stay long in these comfortable winter quarters when mar-

kets were assured by barter arrangements with Germany, and there was a growing demand from northern Europe. Since the war Manchukuo has had to look for new markets—and it's got one eye on the U. S. now.

Dominion F
extend its op
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Dominion Foundries & Steel, Ltd., will extend its open-hearth building to house equipment for making barrels for anti-aircraft guns. It also is erecting a new temper mill in a program designed to double its capacity for cold reducing steel. Total expenditure will be \$1,500,000.

Canadian companies will distribute about \$18,000,000 in dividends this month, an 8% gain over March of last year. Rail stocks are getting a play because of recent revenue increases. Canadian Pacific's gross for January was \$2,500,000 over January, 1939, and tonnage is sustaining this gain. The approaching federal election (March 26) is having little effect on business since it is recognized that the outcome won't affect war orders.

Alberta is voting on the Aberhart Social Credit government. The Social Credit party is expected to triumph, although the Aberhart administration failed to establish the \$25 monthly payments promised adults, defaulted on \$14,000,000 of provincial bonds and repudiated \$10,000,000 in interest. Demoralization of old-line parties is a major reason for Aberhart's strength.

Mexican Oil Trump?

Cardenas reported making a separate reckoning with Sinclair, but company officials are silent.

PRESIDENT LAZARO CARDENAS is trying a new device to break the impasse over foreign oil properties seized (in diplomatic language, "expropriated") two years ago. It involves attempts to break up united opposition by making settlements with individual companies. The move was revealed when Mexico's ambassador to Washington, Francisco Castillo Najera, arrived in Mexico City with Sinclair's terms. It is reported about \$6,000,000 will be paid.

Sinclair officials are mum on the reported deal. There is no reason why Sinclair shouldn't make a separate settlement since it has an exclusive bargainer, handsome Pat Hurley, former U. S. Secretary of War. Donald Richberg, one-time head of the National Recovery Administration, represents Standard Oil of N. J. and some others. Each company is well-informed on moves by rival claimants and the United States Department of State provides a focus for the American negotiators although there is, to be sure, no formal agreement for cooperative action.

Labor Troubles Blamed

Other advices from Mexico indicate that President Cardenas would be glad to turn loose the bear's tail. Recent reports on government oil operations admitted a sorry showing and gave labor troubles as a major reason. Late last

month the government announced a plan to rescue the industry by jettisoning excess labor. It calls for the discharge of one out of every six permanent workers and an even greater proportion of transient laborers. Pay reductions also are planned.

The Petroleum Workers' Union has rejected the cuts. Union leaders deny that its workers are to blame for high costs and low output. They demand that dismissals start in the white-collar categories and vehemently add that the main trouble with the oil industry is red-tape and bad management.

Anesthetic for Atkins

Abbott's London plant being enlarged to provide Pentothal Sodium for wounded Britons.

EXPANSION of its suburban London plant was announced last week by Abbott Laboratories, North Chicago, Ill. The British factory was opened three years ago, in part to protect the patents on Pentothal Sodium, a general anesthetic which looked too good to let go for a mere royalty. Since then, Abbott has built a considerable volume of European business on Pentothal Sodium and other pharmaceutical specialties handpicked from the firm's domestic line: Haliver and other vitamin preparations, the hypnotic Nembutol, and the antiseptic Metaphen.

Abbott's general anesthetic differs from anesthetics familiar to laymen because it is not inhaled. Instead, it is injected into a vein which carries it immediately to the patient's brain. Thus it puts him to sleep almost before he can say Pentothal Sodium. Its use is not followed by nausea or dizziness, and it is non-explosive.

Ideal for Fast War Use

These characteristics, desirable for civilian uses, make it ideal for military advance stations that must work fast on wounds and broken bones, but leave major operations to hospitals farther behind the lines. The British Army and Navy have adopted it, hence Abbott's need for a larger plant.

Intravenous anesthesia has been a medical goal for half a century, but nobody found a promising drug until I. G. Farbenindustrie, the big German outfit, came up with Evipal six years ago. I. G. licenses its patents to Winthrop Chemical Co. of Rensselaer, N. Y., and Winthrop promptly began selling Evipal. Thereupon American pharmaceutical researchers speeded their efforts to find some formula that would produce comparable results.

The race was close. Abbott won by a nose, is the only firm making Pentothal Sodium, and I. G.'s Evipal is its sole competition. Abbott has the bulge in this



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... they have group insurance

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What's ahead for business?

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What's more, you'll find in these pages the why . . . as well as the how, where and what.

Result? Active management, more and more, is putting Business Week at the top of its business reading list!

Household Goods Go to War



Britain's Ministry of Supply now goes to the people for old metal to be converted into munitions. The Min-

istry is sponsoring a series of "Scrap Weeks" in British cities, collecting all the old metal it can turn up.

country because its product is the only intravenous general anesthetic accepted by the American Medical Association's Council on Pharmacy and Chemistry.

Leipzig Has a Fair

Germans follow tradition, despite war, to maintain business relations at home and abroad.

BERLIN (Cable)—Despite the effort of the Leipzig Fair administrators to follow tradition by holding a spring fair regardless of the present state of Europe, war casts a deep shadow over the endeavor. Symbolic of the martial spirit is the army's pavilion, an exhibition of guns and planes taken during the Polish campaign.

The decision to hold the fair, in spite of the heavy odds against its success, was dictated primarily by a desire to keep up domestic business relations as well as connections with neighboring foreign customers—even if exporting manufacturers are temporarily unable to deliver goods in some cases. The fact that a considerable number of the visitors are from Balkan states emphasizes the importance of Germany's southeastern export drive. Most of the gathering hails from European countries which are gravitating toward Germany's war economy.

About 6,000 exhibitors, almost the same number as last year, are registered and this total seems to be a testimonial to the vitality and adaptability of Ger-

man business. But the figure does not permit conclusions as to the actual volume of business which will be transacted.

The technical fair, usually the main attraction, has been postponed and doubts are expressed whether it will open at all. At present the exposition is limited to a so-called merchandise fair in the inner city at Leipzig. An outstanding feature so far has been the variety of substitute products on display. Ersatz goods, which occupied an important place at last year's fair, have understandably gained an even greater significance this season.

Soviet Is Bragging

Economic self-sufficiency is claimed as press campaigns to bolster national confidence.

MOSCOW (Cable)—While loudly denouncing the acts and intentions of England and France, the Soviet press is bolstering national confidence by boasts of invincible economic bulwarks. Heaviest propaganda is aimed at Allied moves in Asia Minor.

Numerous recent articles hammer home the Soviet viewpoint that "the Allies intend to create a second Finland in the Near East." It is charged that the "capitalistic war-mongers" not only intend to goad the Turks into attacking Russia but hope thereafter to seize Turkish areas of economic and strategic importance, especially the Dardanelles.

The press, radio and Communist Party

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The War Week in Business

At Home

Trade Conditions

FRENCH AND ENGLISH representatives of the Allied economic councils arrived in the United States this week to aid their embassies here in relieving American resentment over the contraband control.

Foreign commercial payments are estimated to have averaged about \$200,000,000 a month for the last four months, according to the New York Reserve Bank. In spite of gold shipments averaging about \$38,000,000 per week for the first four weeks in February, foreign gold balances shrank about \$26,000,000 during this period, indicating the extent of foreign purchases. Payments are larger than the excess of American exports over imports—because of the neutrality, cash-on-the-line policy, and because foreign buyers have made advance payments in some cases to provide capital for increased production.

One of the first bills the President signed upon return from his Panama junket was one increasing the lending authority of the Export-Import Bank by \$100,000,000 (*BW—Feb 10 '40, p. 61*). Credit to any individual country is limited to \$30,000,000. Jesse Jones, of the Federal Loan Agency, then announced \$20,000,000 was earmarked for an additional loan to Finland, which received \$10,000,000 late last year; that Sweden would be given \$15,000,000; and that Norway would receive \$10,000,000 as had tentatively been announced earlier.

War Orders

FOLLOWING ALLIED ANNOUNCEMENT last week of a \$1,000,000,000 procurement program, particularly for aircraft (*BW—Mar 2 '40, p. 53*), a \$20,000,000 contract for bombers was placed with Douglas Aircraft Co. by the British Air Ministry. Representatives of the purchasing missions are reported to be playing down their mass production plan for the American airplane industry in favor of placing large orders at intervals—such as the deal above for 150 or more Douglas planes. However, arrival of Sir Henry Self, who had been in charge of British plane production and who will direct the Allied program here, is regarded in some circles as a second step in the program to get American manufacturers to cooperate, standardize, and mass-produce.

Winchester Repeating Arms Co., New Haven, is understood to be working on a "sizable" order of rifles and ammunition for the Finns. Insulite Co., Minneapolis, has received an order from British distributors for 7,000,000 sq. ft. of Insulite, claimed to be the largest single order for structural insulation board on record.

Shipping

BY THE END OF 1939, the British had lost 2% of their total tonnage, the French 1.9%, and the Germans 5%.

In the first four months of war the Allies lost about 120,000 tons per month (Allies launched around 100,000 tons per month in 1938 and probably have increased production now) and neutrals lost about 23,000 tons a month (neutrals, outside of the U. S., launched about 100,000 tons a month in 1938).

Total Allied tonnage on June 30, 1939, was 23,936,000 compared to 22,400,000 on June 30, 1914. However, British population is 4,000,000 higher today than in 1914. The physical volume of British trade is approximately 30% higher, and owing to the larger individual size of ships the actual number is 2,000 less than in 1914. Also, the biggest Allied ships have been withdrawn from use and considerable liner tonnage has been requisitioned.

War Toll of Merchant Ships

	Total Through This Week (188 Days)		Total Through Week Before Last (171 Days)	
	No.	Tonnage	No.	Tonnage
British	180	694,864	169	648,236
French	19	78,413	17	69,268
Neutral	175	478,114	161	438,845
Total	374	1,251,391	347	1,156,349
German	33	169,871	29	151,191
Grand Total.	407	1,421,262	376	1,307,540

—And Abroad

Great Britain

AFTER WARNING the Italian government that German coal would be considered as contraband after Mar. 1, British warships stopped several Italian cargo vessels carrying trans-shipped Ruhr coal which had been loaded at Rotterdam. Reason for British leniency heretofore was believed to be a wish to develop an alternative fuel source for Italian industry before cutting off the Reich shipments.

First big British war loan—£300,000,000 at 3% for 15 to 19 years—will be issued next week. Treasury has been relying on short-term finance and borrowed about £92,000,000 in February, half in Defense Bonds and half in Savings Certificates.

France

THIS WEEK the French cabinet approved decrees which will cut French consumption and imports to the bone. Imports of dispensable merchandise will be reduced to a minimum, bean flour will be mixed in bread at a specified proportion, ration cards will be issued for bread, sugar, coal, and other essentials, and three mealless days per week will be instituted.

Revaluation of the franc, in terms of gold on the basis of the price the Bank of France has been paying since Sept. 13, 1939, increased the Bank's gold reserve by 17.8% this week.

Italy

MERCURY EXPORTS were prohibited by special decree last week. Italo-Spanish output is the world's largest.

**HOW WILL YOUR
MERCHANDISE LOOK
WHEN
DELIVERED?**



**WHAT ADJUSTMENTS
WILL HAVE TO BE MADE?**

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rugged wrapping paper
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	WARNER & SWASEY CO.2nd Cover Agency—THE GRISWOLD-ESHELMAN CO.

pulpits exhort the Soviet public for the coming struggle. Insistent broadcasts assert that imperialistic attacks on the Soviet Union are imminent. But in each case the people are assured that the result will be "universal defeat and complete extermination for the imperialistic exploiters."

Kremlin Lists Its Resources

This conditioning is backed by claims that when the zero hour strikes Soviet Russia will be economically self-sufficient, a state which officials feel confident they have well-nigh attained already. It is asserted that Russia leads all other nations in coal, petroleum, and iron deposits, timber, and hydro-electric potential.

One article lists the most important raw materials for defense. Among commodities which it declares Russia can supply itself 100% are copper, lead, zinc, tin, aluminum, nitrates, sulphur, rubber, cotton, wool. By some editorial slip, however, a table accompanying the article shows that Russia still imports large quantities of rubber and aluminum while tin is not mentioned.

Tin and rubber are apparently the most important items which the Soviet is unable to produce. Since none of its regions has the sub-tropical climate necessary for rubber, the chemical industry has long been concentrating on synthetic substitutes. Many observers agree that with the exception of tin and rubber, Russia has raw resources sufficient not only for her own demands but for those of the Reich as well.

FOREIGN ANGLES

Brazil Wants Steel Plants

ANSWER to United States Steel Corp.'s rejection of a Brazilian plan to build a domestic steel industry came this week when President Vargas created a state authority to build rolling mills and furnaces. Brazilian capital will back the enterprise and possibly foreign investors will be approached. Announcement a few days earlier by a coal company in southern Brazil of construction of three ovens for the production of metallurgic coal indicated the determination of the Vargas government to produce steel in Brazil.

Machine Tools to Combatants

DEPARTMENT OF COMMERCE reports that the Allies, Japan, and Russia bought 81% of the machine tool exports from America in 1939. Total sales of metal-working machinery abroad totaled \$117,473,885, which represents a 16% increase over similar exports in 1938. Exports in this category amounted to \$40,804,000 in 1929, dropped to \$9,369,000 in 1933, and have been over the \$100,000,000 mark the last two years.

THE TRADING POST

Why Do They Come Back?

A BANKER was talking about a business he was trying to salvage from a rather bad mess.

"The trouble," he observed, "was that they had no idea how much of their business was due to the need of their customers and how much to their own satisfactory service."

"Meaning," I stalled, "just exactly what?"

"Meaning this," he resumed. "This outfit had things pretty much its own way. Good product; good market; and no serious competition. They had a fine volume and made money on it. It all looked too easy."

"One day, about five years ago, I was visiting their president, whom I knew very well. We got to sizing things up and I asked him just how secure he felt of his market. I remember that I put it this way:

"You've got a fine volume here and a fine list of accounts. But do you know just how well satisfied all these customers are with you and your product?"

"He looked at me kind of funny and echoed:

"Satisfied? Sure they're satisfied. They keep coming back right along, don't they?"

"And right there was the source of a weakness that culminated in their bogging down so badly when things went haywire in 1937. They were so sure their customers were satisfied because 'they kept coming back'. But what they forgot to find out was whether the customers came back because of their need—or because of their satisfaction. It happened that they needed this product, so they came back after it: satisfaction didn't enter into the transaction."

"But one fine day along came competition, in the form of a new product to meet the same need. It was aggressively sold by a sound management and first thing you know, my friend's business began to slide off—or, I should say, stayed slid off after the 1937 break. It turned out that all those steady customers were not so satisfied after all. All they needed was a chance to exercise a choice, a chance to meet their needs elsewhere. And quite unconsciously, my friend found his business the subject of a popularity poll. And its customers didn't 'keep coming back'."

"This, of course, was a rather open-and-shut case—a sort of semi-monopoly, unusually vulnerable because of unusual complacency. But the principle goes for every business I know anything about. There's only one way to be sure of your market—be sure to keep your customers satisfied to do business with you. And

the bald fact that they keep coming back doesn't prove that at all.

"Maybe it's because you have a monopoly; maybe your type of product gives the best service now available; maybe it's just a matter of the inertia that holds people in the old familiar grooves. But one of these days a competitor moves in on you; a new product or a new process obsoletes your very type of product; or perhaps a snooty salesman of yours or a smart salesman of the other fellow's blasts your customer out of his inertia. Then they stop coming back."

"Today," he concluded, "things are moving pretty fast. No status quo can be taken for granted. Customers crave satisfaction and they want it on their own terms. They'll put up with what you offer just as long as they have to in order to meet their needs. But just let someone else come closer to their terms and you'll soon find out *why* you're getting your business and *how long* you'll keep it. In other words, you'd better know how much of it is due merely to meeting a need as against giving satisfaction. You'd better assume that you have a selling job to do all the time—even with those customers that 'keep coming back'. And there, I think, is just about where we started."

Human Nature

IN THE COURSE of her recent appearance before the American Youth Congress, Mrs. Roosevelt answered a question raised by one of the delegates by saying that she did not think the duPont Corporation wanted this country to enter the war—"because they are making plenty of money now." She went on to say:

"Of course one can't be sure about any corporation if a huge sum of money should be placed before it. Human nature is human nature."

Quite so. And because "human nature is human nature," it's too bad Mrs. Roosevelt didn't pursue the subject a little further. She might have pointed out, for example, that politicians are quite human also, and that a thirst for political power has caused quite as many men to forget the welfare of their country as a thirst for money. Moreover, such men in political office are very likely to be in places where their ambitions can do their country a lot more harm than can the business man.

Yes, she might well have added that one can't be sure about any politician if a huge block of votes, the coin of his trade, should be placed before him. For human nature persists in remaining human, even among statesmen in high office. For a statesman is merely a successful politician between elections.

W.T.C.

PACKAGING

New Wilson Lard Container Wins Top Packaging Award

TOP AWARD WINNER in the folding carton group of the All-America package competition for 1939 is Wilson and Company's new one-pound Certified Pure Lard package. Awards were announced this week by Modern Packaging magazine.

The prize-winning "Square Deal" type lard container was developed through the



joint efforts of the research divisions of Wilson and Company and Sutherland Paper Company, Kalamazoo, Michigan. The Wilson "Square Deal" can, a linerless, grease-resisting package, is double sealed for perfect sanitation. The outer cover, machine-tied onto the can, is discarded once the package is opened. The inner lid provides adequate protection while the product is in use. Between lids is space for recipe books, folders, or premiums.

New Wilson package is popular among housewives because no longer do they need to contend with a grease-soaked liner paper and the tapered design of the can makes it easy to hold in the hand.

Sutherland Paper Company holds the original patents for the new lard container.

Krumbles and Fibs Cartons Also Receive Honors

KELLOGG Co., Battle Creek, Mich., received honorable mention in the folding carton group with its popular series of six Krumbles cartons (Business Week, Packaging, September 16, 1939). Sutherland Paper Company produced the Krumbles packages which were printed in six colors, reproducing direct-color photographs.

Also manufactured by Sutherland were the folding cartons for the Fibs Caddy display rack which drew an honorable mention for the Intercellucotton Products Co., Chicago, in the shelf display competition.

(Advertisement)

BUSINESS WEEK

With Which Is Combined The Magazine of Business

March 9, 1940

Lesson in Inflation

INFLATION is one of those weasel words that mean all things to all men. During 1933, when the dollar was cut loose from gold, we talked about "currency inflation"; in 1936 and 1937, when prices and wages rose rapidly for a spell, we had commodity inflation or wage inflation, depending on one's particular point of view. But to classical economists, inflation is not a weasel word. It means specifically: An increase in the supply of money (purchasing power) without a corresponding increase in the supply of goods.

And right now inflation becomes important because Great Britain and France are facing it.

What's happening abroad is in direct contrast with what is currently happening here. In the United States, we are in a recession. Payrolls and purchasing power (see chart page 13) are declining. And to help end the recession the government is anxious to increase consumption—to have consumers keep up their demands for goods and thereby provide the stimulus for an upturn in production. In Britain and France, on the contrary, all government efforts are directed toward checking domestic consumption.

THE TWO GOVERNMENTS MUST find ways of persuading the people to produce more and to consume less. This is like asking a laborer to work harder but not to eat as much as he formerly did. Edwin Fisher, chairman of Britain's second biggest bank—Barclay's—pointed up the problem in his annual report to shareholders, saying:

"We all know that increasing war requirements will leave less and less of current production available for the needs of the civil population. If, however, the contraction in the supply of goods is not accompanied by a reduction in the demands of individuals, we are bound to suffer the evils of rising costs and prices."

Today that is the transcendent economic problem in both Great Britain and France: how to prevent inflation from developing when—

1. As a result of the tremendous war effort in both countries, employment is on the increase, payrolls are going up, and there is an attendant rise in what economists call the "propensity to consume."

2. More and more of the nation's industrial energies are going into munitions and less and less into consumption goods. In consequence, the available supplies of consumption goods are no greater (if they are not absolutely lower) than when the war began. So this increased propensity to consume has no addi-

tional outlet. The money supply, as a result, is greater than the goods supply. So—inevitably—prices rise.

John Maynard Keynes, one of Britain's leading economists, has made a proposal to meet this condition. Under the Keynes plan, workers would be forced to save. A prorated portion (like a graduated income tax) of all incomes would be placed in escrow until the war ended. Then these forced savings would be gradually released to their owners.

THE BRITISH have not adopted the Keynes plan. Instead, their Treasury has offered high-interest-rate baby bonds, hoping the workers will save out of patriotism. But a voluntary saving plan is not apt to do the job. Indeed, prices have begun to rise already (*BW*—Mar 2'40, p40), and they are bound to rise further unless some way is found to clamp down on the consumers' ability to spend. Rationing only solves the problem, if everything is rationed.

If the government rations basic foods (as in Britain and France), the propensity to spend spills over into luxury foods, or clothing, or household appliances and knick-knacks. So, something else must be done. The government can try to increase taxes further—a measure of doubtful political expediency; it can try to fix prices; or it can try to channel earnings into savings. But it must do something to prevent consumers (with their increased buying power) from bidding up prices for the attenuated supply of goods—if inflation is to be avoided.

For Americans, this problem now confronting both Britain and France has real meaning. It indicates how war inevitably forces governments to go in for regimentation; it also suggests that American farmers and American business men cannot expect Britain and France to become big buyers of our consumer goods. What dollar exchange those nations have, they want for munitions, not for civilian consumption.

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